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# The American Economic Review

VOLUME XIV, NO. 3

SEPTEMBER, 1924

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# The American Economic Review

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## GRAPHIC ILLUSTRATION OF THE LAWS OF PRICE

"We should have made a great advance if we could represent the normal demand price and supply price as functions both of the amount normally produced and of the time at which that amount became normal."—Alfred Marshall.

It has become a common practice in recent years to employ geometrical diagrams to represent the various cases of demand and supply in relation to the determination of price. Such constructions have established their usefulness by the concise and rapid manner with which they permit the complex variables involved in price problems to be represented and definite conclusions drawn. Much still remains to be done, however, in developing these helpful devices in the direction of greater precision and closer correspondence with the actual circumstances of the business world. The object of this paper is to investigate the methods of graphically representing demand and supply factors for several broad groups of cases.

First of all, we have cases involving time periods of varying length, during which the price-making forces operate. Secondly, there are the generally recognized cases under the head of long-time or "normal" price determination according to the circumstances influencing the volume of commodities or services coming into the market. These may be circumstances of increasing cost, decreasing cost, or constant cost. The understanding of these matters and their proper graphic principles requires a careful handling of the problem of *time* and a consistent recognition of all the conditions and assumptions underlying each step of the analysis.<sup>1</sup>

### 1. *Conditions of Demand*

We shall first undertake an examination of demand for a typical consumers' good continuously produced in a competitive market. A *demand schedule*, or set of demand conditions, in such a market is to be understood to mean a series of the potential prices, per unit, which would be offered by competing buyers according to the possible quan-

<sup>1</sup>In preparing this paper the writer has received numerous helpful criticisms and suggestions from Professor Carl C. Plehn, Professor A. B. Wolfe, and Dr. Paul S. Taylor.

tity of the commodity (or service) which might be available.<sup>2</sup> If we assume a given point of time and hold consistently to this assumption that no interval of time is permitted to elapse, we have a set of relations between two variables: potential quantities and hypothetical price offers corresponding to those quantities. The most general law applying to this relationship is that any increase or decrease of quantity would occasion a lower or higher price offer, respectively, at which the quantity might all be sold; or, conversely, a higher or lower price would cause the quantity of the article absorbed by the consumers to be less or greater, respectively. This rests on two fundamental principles: (1) that the importance of *units* tends to diminish, or the "dispensability" of any unit increases, as number of units increases, and vice versa; (2) the fact that in any extensive market buyers usually differ considerably in their purchasing power, so that successive "strata" of purchasing power may be brought within range of the market as the willingness of the higher income strata to purchase diminishes. The resulting demand situation involves an intricate combination of potential readiness and ability to buy.

This is represented graphically in Fig. 1. The number of units hypothetically available is considered to be measured to the right, along OX, while the scale of possible prices runs vertically, along OY. The curve  $D_1D_1'$  connects an indefinite number of points—each of which, for any given set of assumptions, denotes by its position a possible locus of the relations: quantity-taken-at-a-price or price-offered-assuming-a-quantity. If quantity available be restricted, price offered would be higher, etc. It is very important to recognize the dual basis underlying what may be called the typical scale of demand conditions in a competitive market embracing numerous purchasers. Suppose, for simplicity, that there are three distinct classes of consumers or buyers: rich, middle-class and poor, and that within each class purchasing power is about equally distributed. In Fig. 1 the quantity OA would command a price per unit of Oa, which probably only the rich (R) can afford. If, under the same general assumptions, the quantity were as much as OB, the purchases of the rich would be somewhat greater, but at some lower price, corresponding to diminishing utility in that class; and this would bring the article within the range of class M. Similarly, the amount OC would involve still further diminished utility and lower price offers in both groups R and M and a considerable amount of new purchases by the poor (P). Thus, the principle of "diminishing utility" explains the possible progressive

<sup>2</sup>Both demand and supply may, of course, involve a time relation by supposing them to refer to quantities offered or desired per day or per week. We ought properly to take account of the recurrent nature of wants and purchases and of the flow of goods to market by speaking of the *rate* of demand and *rate* of supply.

extension of a market to successive strata in much the way in which the principle of "diminishing returns" from land explains the extension of cultivation to successive areas of inferior fertility. The form of our final schedule of demand ( $D_1D_1'$ ) is partly explained by the principle of potentially diminished utility, but it cannot be said to measure de-

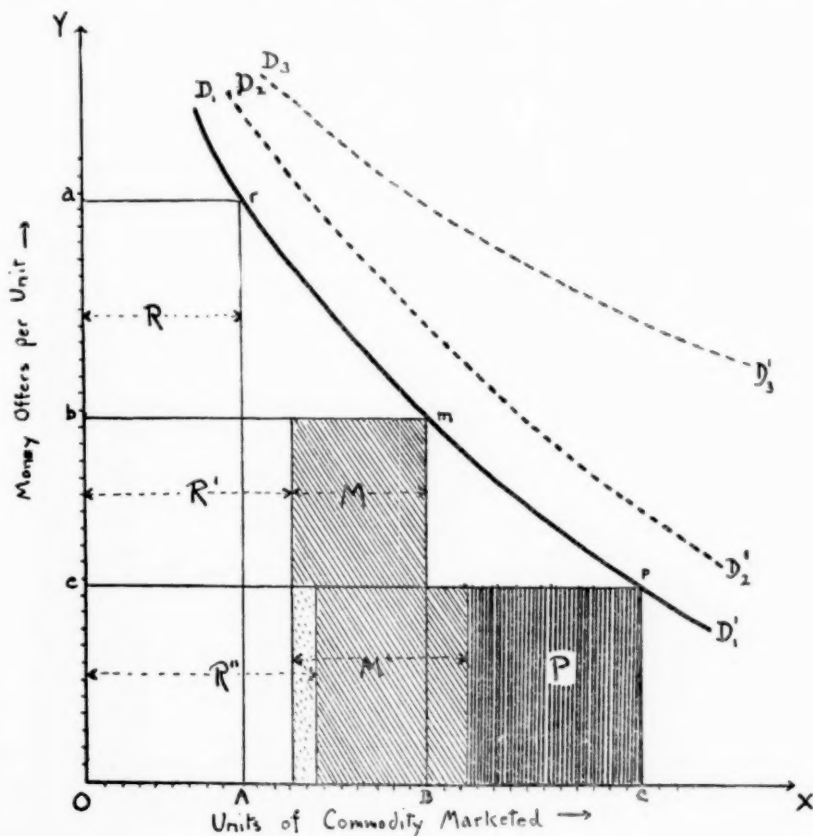


FIG. 1

grees of utility; the actual utility from a psychological standpoint at the lower end of the scale may be higher than at the upper end for the simple reason that a "dollar's worth" is of less significance to a rich than to a poor person. In Professor Taussig's phrase,  $D_1D_1'$  indicates merely vendibility, not utility.'

'Even for an individual, in the case of many articles of which only one unit is usually purchased (e.g., a watch, an automobile, a phonograph), the utility of the good is not so much *marginal*, in the sense of denoting the final (indifference) point along a scale of potentially diminishing utilities, as it is relative to the total

Such a demand schedule, it must be emphasized again, is hypothetical and timeless. It requires substantial alteration if any change occurs in the circumstances and assumptions presupposed. A given demand schedule assumes to be constant throughout:—(1) a certain total purchasing power and a given *distribution* of purchasing power among the buyers; (2) a given number of possible buyers; (3) that all other prices and values are given and remain constant (i.e., a constant general purchasing power of the money unit); (4) that substitutes for the article in question are not altered in number or character; (5) that the general standards of living or taste among the consumers are unchanged; etc. A change in any of these assumed conditions necessitates a revision of the schedule: i.e., shifting it (or a portion of it) either to the right or to the left. For instance, if all purchasers have more money to spend than before, a higher price offer per unit may be forthcoming for each total amount of the commodity and the entire schedule of demand will shift toward the right (to the position  $D_2D_2'$ ). Again, if purchasing power is so redistributed that the poorer classes among the consumers receive relatively higher incomes, it is probable that the curve will descend more gradually, or, in technical language, the "elasticity" of the demand will be increased ( $D_3D_3'$ ). The degree of elasticity in a given demand situation rests partly on the nature of the article in question and partly upon the distribution of purchasing power among the buyers.

Every change which occurs in the market necessarily involves the lapse of time and is registered, not by successive points along a given demand line, but by the intervals between the original schedule and its new positions. Such changes in other words are illustrated, not by the progress of a *point*, but by the movement of a *line*. This is of fundamental importance, but it is frequently lost sight of in discussions of price as soon as the demand schedule is plotted in conjunction with a supply schedule in defining a point of equilibrium price.

Since a demand situation is a set of relationships, special difficulties attach to the meaning and precise formulation of "increase" and "decrease" of demand. Changes in the magnitude of demand cannot be conceived as changes in quantity purchased or salable without reference to the corresponding prices. Nor can they be conceived as utility of alternative objects of expenditure. We judge the subjective importance of a watch according to its total utility compared with the total utility of a phonograph, a kodak, or a typewriter. And, where really applicable, the diminishing utility principle does not necessarily apply to successive units *consumed*, nor even units *purchased*; the mere fact of increased *availability* or *purchasability* suffices to imply a decrease in unit-importance. Thus, a person who contemplates buying apples at a roadside market will not attach as keen a sense of desirability to any apple if he suspects that a tree a mile further on will yield him a plentiful supply merely for the picking.

changes in the money offered without reference to the total quantities corresponding to those offers. This difficulty has led to a vast amount of careless analysis and to many erroneous conclusions. The only solution seems to be to discard the spurious concept of change in quantitative demand and to refer rather to "change in the *effectiveness* of de-

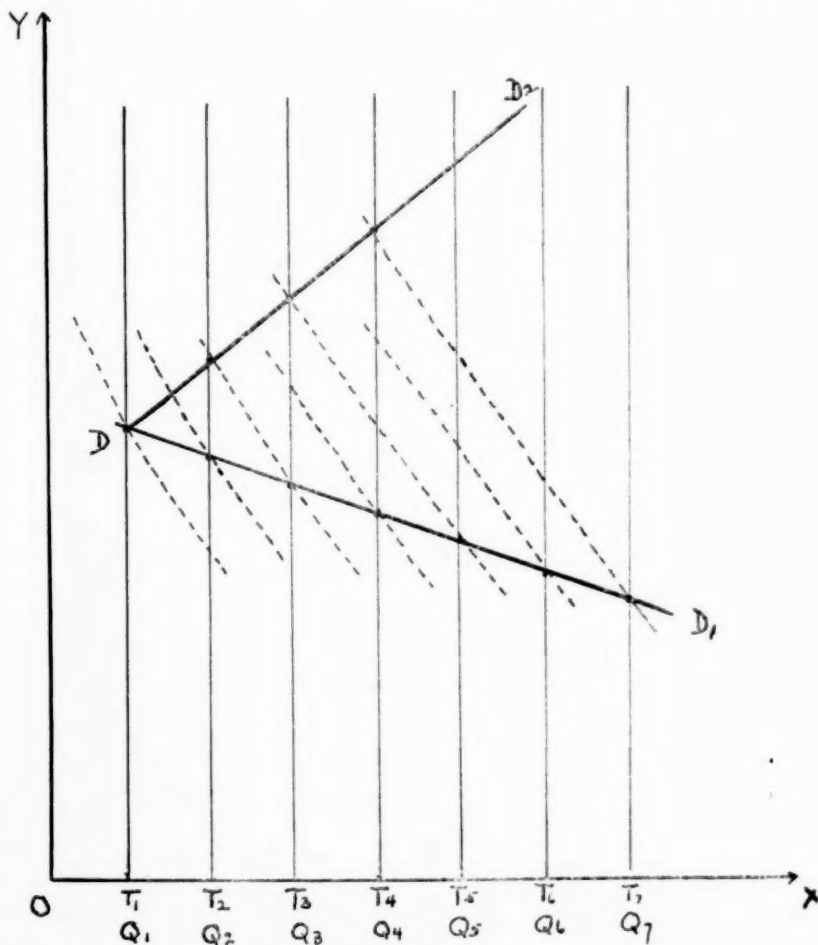


FIG. 2

mand," having regard to the degree of stimulus to suppliers. A higher price per unit for a given total quantity or a willingness to purchase a larger quantity at the same price per unit, are both cases of increased effectiveness of demand, and vice versa. In the extent of shifting of

demand during a period of time we find a second phase of the concept of elasticity. A more rapid increase in the effectiveness of demand for one article than for another during a year's time might be said to indicate a more "elastic" or vigorous market for the former article. There may thus be elasticity of demand in a static sense and elasticity in a dynamic or temporal sense.

Many economists, following the lead of Professor Marshall,<sup>4</sup> have entertained the notion of a long-run (normal) demand curve, especially in discussing so-called normal equilibrium of demand and supply. Such a concept lends itself easily to serious logical errors. It may mean simply that a given demand schedule remains fixed and unaltered for a long period during which supply conditions vary—the result being to draw erroneous inferences from an "equilibrium" between incoördinate magnitudes. Again, long-run demand may involve the idea of a compound scale along the horizontal axis—of quantity and time. Suppose a single demand curve be drawn purporting to represent the progressively diminished price offered for something as a quantity is increased over a period of time. Such a curve is represented in  $DD_1$  of Fig. 2, in which the  $OX$  axis denotes the lapse of time intervals as well as the successive enlargement of the total amount offered for sale. Such a demand schedule is not reversible. One cannot reverse an historical process and therefore we cannot travel back along the same curve. The curve, therefore, cannot be used in conjunction with a supply schedule to locate price equilibrium because it permits of variations only in one direction (toward  $X$ ), and does not indicate points of intersection in the reverse direction. Secondly, erroneous inferences have been drawn from such a curve by assuming that (like a hypothetical curve) it is always inclined in a downward direction towards the right. This is wholly a matter of circumstances; each point on the line is determined by the *rapidity of shifting* of the static schedules. If they shift twice as rapidly as in the case of  $DD_1$  we shall have a schedule such as  $DD_2$ , which travels upward toward the right, and which might of itself give no determinate point of intersection with a supply schedule, however the latter might be inclined. We conclude that the long-run or time demand schedule is a misleading concept which affords no certain results in locating price. A true point of equilibrium can only be indicated by the intersection of schedules which are independent of each other and of time.

## 2. Conditions of Supply

It is a commonplace remark that the price of an article is determined by the relation of "demand and supply." It is more precise to

<sup>4</sup>Cf. Marshall, *Principles of Economics*, 7th or 8th ed., esp. pp. 463, 464, 466, and the general discussion of "normal price."

say that the price of any *given* quantity supplied is determined by the demand situation. And if we are interested in the extent of continuity of the quantity regularly supplied, we must go farther and examine the fundamental supply conditions, i. e., the relationships existing between quantities and costs. Such conditions determine the profit and loss of producers and hence their motives; the conditions will indicate whether the price ruling at a given moment is likely to persist or is to be succeeded presently by a higher or lower price.<sup>6</sup> In other words, the cost conditions of producers must be studied in order to determine what is essential to a price becoming fairly stabilized during whatever interval of time the analysis contemplates. It is in the proper construction of schedules of costs, which shall be logically coördinate with the schedules of demand and designed to indicate the degree of stability or the direction of impending change in any given price conjuncture, that current graphic methods seem to the writer to be in need of thorough revision. In the case of commodities continuously marketed, the rate of supply is subject to constant variation and adjustment, partly through changes in the effectiveness of demand, and partly through the possible changes in the conditions of production and sale. The nature of these supply conditions especially deserves much more careful examination than it has usually received.

We may approach this matter by first limiting our attention to a single producer—let us say, for convenience, a single supplier,—and consider the data he might find in calculating the possible unit-costs as the quantity of his product put on the market potentially varies. Suppose such results to be plotted in the form of a schedule, along pecuniary and quantity coördinates similar to those of the demand schedule. This schedule presupposes, it will be noticed, certain definite assumptions as to the attendant circumstances, such as the value of money, the existing character of business technique and organization, taxation, etc.; the only “variables” are quantity (or rate of supply) of the article marketed and cost per unit. The underlying assumptions in this case are peculiar in that they cannot be made rigidly determinate; they depend upon the nature of each particular business and upon the character of the technological processes which regulate output and

<sup>6</sup>It is possible, of course, to construct a “supply schedule” indicating the process of higgling and bargaining among dealers possessing a given total amount—i.e., a curve showing that more will be offered at higher prices than at lower prices, etc. While it makes no definite place for costs, such a schedule has at least the merit of being logically coördinate with the demand curve and it illustrates a market in which ultimate producing costs can be, for the time being, ignored. Such analysis is significant, however, only where we are studying the selling process taken by itself independently of production. In so far as all dealers wish to sell the quantities they have within a certain time, the price which will clear the market will be fixed within a fairly narrow range by the demand situation, regardless of the sellers’ tentative scales of amounts at certain prices.

sale. In our discussion of demand, we could regard the total volume of purchasing power available for a market as a highly fluid fund, easily adjustable and varying like the flow from and into a great reservoir regulated by a valve. But in analyzing the volume of a commodity coming into the market, it must be recognized that the quantity is not capable of swift and flexible adjustment. A hypothetical in-

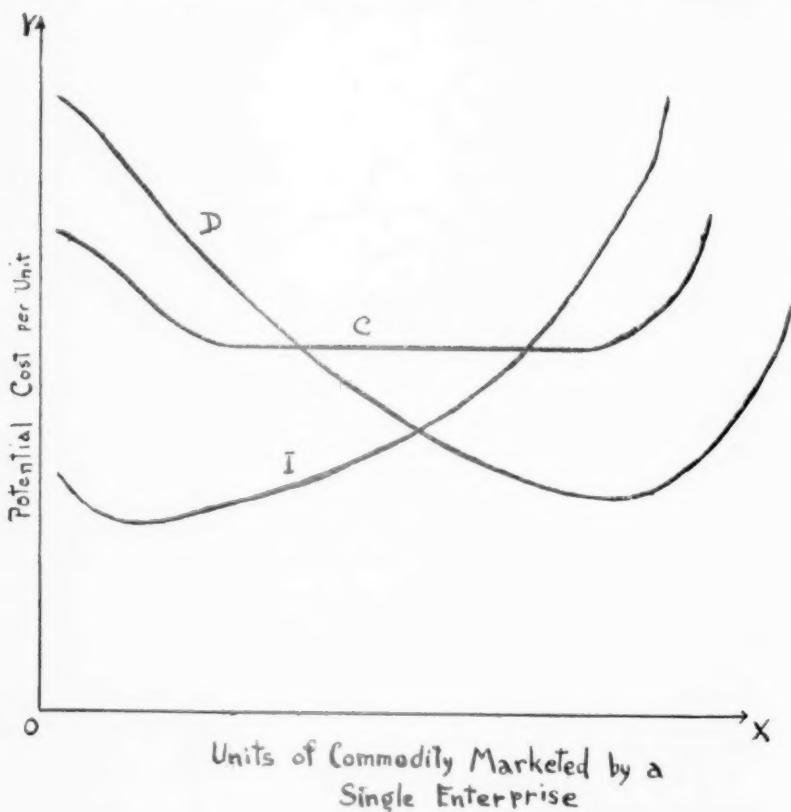


FIG. 3

D: Under conditions of decreasing cost  
 C: " " " constant cost  
 I: " " " increasing cost

crease in quantity may often presuppose readjustments in the elements assumed as constants. Increased output involves various possible degrees of technological change, not necessarily of a qualitative character, but nevertheless involving new factors of some importance. Output per-man per-machine, for example, cannot usually be increased without some slight qualitative alterations somewhere. Nevertheless,

there is some validity in abstracting from such circumstances as involve variation other than in mere quantity of product placed on the market.

We may then distinguish, for an individual enterprise, three fairly distinct possible types of quantity and cost relationship: (1) potential increase of output or turnover with potential *increase* of unit-cost; (2) with potential *decrease* of unit-cost; (3) with potential *constancy* of unit-cost. These cases are graphically illustrated in Fig. 3 by the curves labeled I, D, and C respectively. Several points are of importance in this connection. First, as already stated, unit-cost is supposed to vary, theoretically, according to variations exclusively in quantity produced or sold. Such variations in quantity may be attained, perhaps, through necessary additions to equipment and labor force, but not by the use of new *types* of equipment or of labor markedly different in character or efficiency. We may also assume that an enterprise is at liberty to utilize additional areas of land and other natural agents. The line of distinction may for our present purpose be drawn, as Alfred Marshall has drawn it, between changes involving only slight and theoretically negligible adjustments in organization, and changes arising from the introduction of "substantive new inventions" or altered processes. The traditional justification for limiting this principle to quantitative variations of output is that once we admit extraneous elements, such as inventions, new managerial principles, etc., the whole matter becomes vague and subject to no rules or principles of a determinate sort. We shall return to this matter below.

Whereas a true demand schedule always follows an inclination downward toward the right, a supply schedule for a *single producer* may have several possible types of inclination, as indicated in Fig. 3. But this is true only within a certain range—the three cases illustrated differ from one another ultimately only in degree. It is obvious that in all production and merchandising the placing on the market of a very few units—if this were a persistent practice—would involve unit-costs considerably above those for a larger volume. As output enlarges, costs are lowered, especially in cases where overhead costs are relatively high. In all production however, there must necessarily come sooner or later (inasmuch as this is, after all, a finite world) points beyond which total expense per-unit grows with progressive swiftness as capacity tends to be strained to the limit. The ultimate physical impossibility of further expansion is pictured (in Fig. 3) in costs infinitely high. All these cases assume, of course, a given stage of business technique.

Supply schedules of this type, it must be emphasized, are hypothetical; and in so far are coördinate with true demand curves. But placing such a supply schedule in conjunction with a demand schedule

has no meaning unless the supplier has a monopoly of the product. If this is the case, as shown in Fig. 4, the curves will permit a point to be theoretically located indicating some quantity (or rate of supply) which assures the seller of the greatest possible total monopoly profit over and above necessary costs. The theory of monopoly price is a distinctive case which current diagrammatic methods picture in

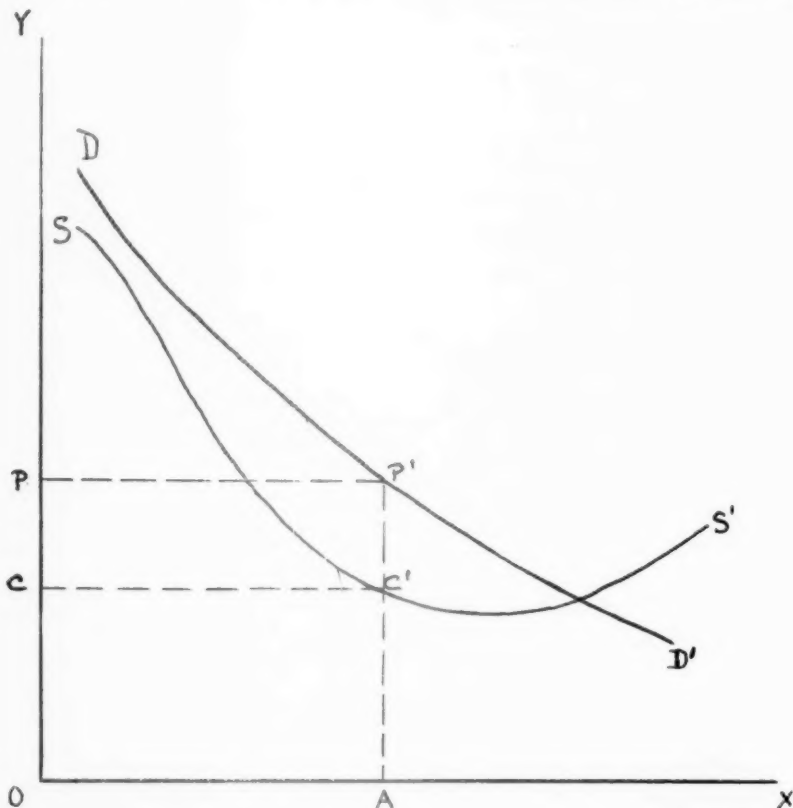


FIG. 4

satisfactory schematic form. In a competitive market, however, it is necessary somehow to exhibit all the component elements in the supply situation, and it is at this point that most current analysis has gone astray. In picturing the supply situation for a competitive market, a new and distinctive treatment of the problem is required which will illustrate the cost principle applying to the *entire industry* considered, and at the same time avoid the assumption that costs for all suppliers at a given time are equal or "tend" to be so.

Where several suppliers are freely competing within the same market, it is of fundamental importance that whatever the nature of the enterprise, the costs are usually unequal. They are unequal in the same sense that the height of individuals gathered at random in a crowd will be found unequal, even though there may be occasional individuals having the same measurement. Professor Bullock long ago stated the matter as follows:

When scores or hundreds of independent producers are engaged, under natural or other conditions that result in inequality of advantages, the chances would be indefinitely great that the various units of supply must be produced at different costs. If doubts could have existed upon this subject a decade ago, the question would be finally settled now in view of the almost universal fact that trusts have found that their constituent plants were, prior to consolidation, of very unequal efficiency. The only difference that can be admitted between agricultural and manufacturing products is that the former may show a much greater range of variation between the lowest and the highest costs. This is because the point of diminishing returns is so quickly reached in agriculture that increased production (demand) calls for the utilization of many grades of land possessing widely differing advantages of fertility and location. Even with manufactured products the possible differences of cost would not be the same for all commodities. In a branch that does not favor production upon a very large scale the variations would be wider than in another that permitted the concentration of production in a few large factories.<sup>6</sup>

"In no considerable industry of modern times," says Professor Taussig, "are competitors on the same plane. Some produce more cheaply than others, having better plants, better organization, command of more efficient or cheaper labor or of cheaper materials, more 'strategic' location."

In an investigation of costs in several industries a few years ago, the Federal Trade Commission secured data which illustrate this point. The following Trade Commission figures relating to the costs in the news-print paper industry are taken from a recent paper by Professor L. H. Haney:<sup>7</sup>

NEWS PRINT PAPER COSTS IN 1915.

Average cost (per ton)	No. of mills	Per cent of total production
\$ 26.84	3	19.1
28.51	2	13.5
31.64	8	25.4
34.75	11	27.0
37.74	8	11.7
43.67	3	3.3

Actual price realized in the market (av.), \$38.45

<sup>6</sup>"The Variation of Productive Forces"; *Quarterly Journal of Economics*, vol. 16, 1902, p. 493.

<sup>7</sup>*Principles of Economics*, 3rd ed., vol. II, p. 183.

<sup>8</sup>*Quarterly Publications of the American Statistical Association* June, 1920, p. 141ff.

Emphasis has been placed upon this matter because much that has been written on the subject of price theory has ignored it, or has assumed it to be conveniently non-existent in the course of graphic exposition. The diagrams once disposed of, discussion becomes once more realistic, unequal costs are admitted, and all the previously elaborated geometry is thrown gently overboard. Let us see if the actual facts are not susceptible of a simple and straightforward graphic method, in-

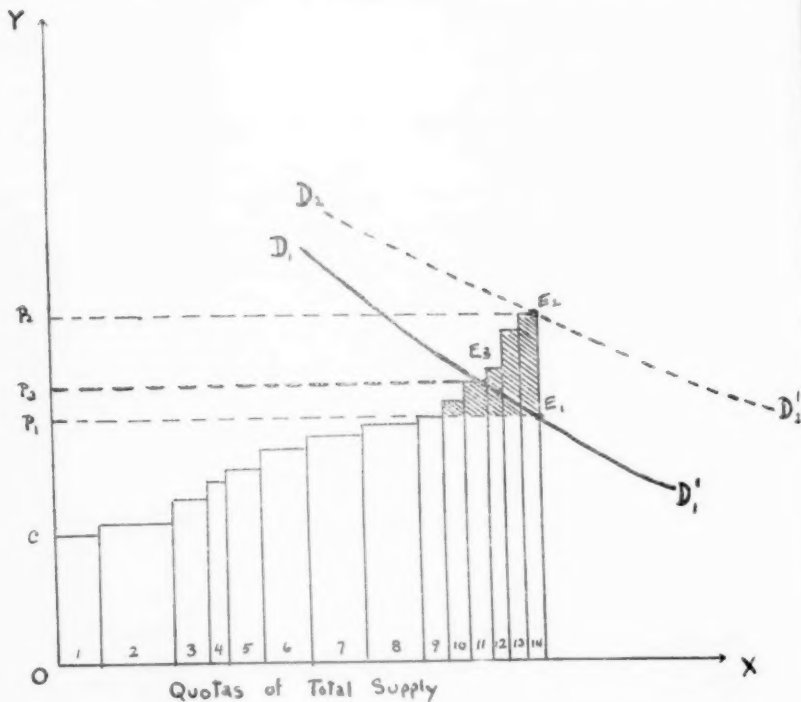


FIG. 5

volving no superfluous and imaginary conditions or abstract "tendencies" divorced from actual business life. Since total quantity supplied in a competitive market is composed of quotas of greater or less magnitude, each of which at any given time has its own peculiar cost, it is obvious that *changes* in these quantities and their corresponding costs can no longer be represented by the movement of a single point through space. It is quite impossible to condense into a single figure these diverse items; we must keep constantly in view the complete

See also Kemper Simpson, *Quarterly Journal of Economics*, Feb., 1921, and May, 1923; and F. W. Taussig's diagrams of the costs of sugar, lumber, and coal in *Quart. Jour. Econ.*, vol. 33, pp. 205ff. (1919).

array of cost-and-quantity elements. We must therefore construct a schedule, applying to a given time, and including data for the entire business.

An example of such a *cost schedule* is shown in Fig. 5, in which the costs pertaining to each component part of the total amount being sold are arranged in an ascending order from the lowest at the left to the highest at the right. This permits the curve to impinge upon the demand schedule for the article at the sensitive and significant point—the costs of the least-favored (the marginal) suppliers. Such a schedule is timeless, i.e., it applies to a given situation; and it is also hypothetical to the extent that it indicates the possible effect of marginal suppliers withdrawing from the market. As a timeless curve it can be legitimately set against a demand schedule as in Fig. 5, in which  $D_1D_1'$  is drawn to show the purchases (under existing circumstances) which buyers would make at various prices, or, conversely, their price offers, given various total amounts. Our cost schedule is seen to form an intersection ( $E_3$ ) with the schedule of demand; but this intersection does not necessarily indicate the point at which price is momentarily adjusted. The price at a given time tends to be settled by the existing demand conditions for *the total quantity which is being currently marketed* and this may include, as shown in the diagram, the quotas of suppliers 10 to 14, whose costs, for the time being, exceed price. As we continue to watch succeeding developments, we shall expect this state of affairs to cause eventual readjustments, through the withdrawal of some or all of the firms operating at a loss, through the introduction of economies which will bring these firms within the range where they may at least “break even” and cover necessary expenses, or perhaps through efforts to increase the effectiveness of demand by advertising and keener salesmanship.

At this point again provision must be made for the proportion of special or variable costs to overhead costs. The possibility of supply being contracted in a case such as that just suggested, or the time within which this may occur, will depend, to a large degree, upon the nature of the proportions between the variable and overhead costs of the suppliers. If, in general, variable costs are relatively high, suppliers cannot long continue operations in the face of deficient receipts (unless in the hope of promptly bolstering up the demand). Suppliers 12, 13, and 14, for example, might shut down or go out of business, since they are able to operate only by virtue of heavy loans from the banks or drafts upon accumulated reserve funds. In every competitive industry there are firms of this sort which are on the point of withdrawing from the market, but which *are among the price-determining forces with which the static diagram must reckon*. If, on the other hand, the proportion of overhead costs is high, there will

be less probability of complete withdrawal of marginal suppliers, although current output may be slightly reduced to improve the market while a recovery of demand is awaited. The amount of minimum earnings which we consider indispensable to continued operation in any branch of business is by no means a precise or easily determinable figure. It varies, for instance, with the character and psychology of business leaders, financiers, and investors. These are all matters which become important when we are tracing the historical trend of a price through time and recording upon the diagram the new positions which the curves successively assume as the result of incessant readjustment. The currently accepted diagrams of "normal" supply and demand, based largely on Alfred Marshall's work, attempt to jump at a single step from the momentary situation to the ultimate and "long-run" equilibria which are imagined to develop out of them. We must, however, proceed cautiously in order to avoid elliptical and spurious constructions, which can lead only to fallacious conclusions.

There is a great variety of possible readjustments in the course of time in a supply situation; innumerable refinements and special cases cannot receive attention in this short paper. Professor Secrist has lately presented the results of a study of expenses in the retail distribution of clothing which indicate that among the firms in that highly competitive field there is, over a period of time, a constant shuffling and rearrangement of position with regard to the margin. Some firms' costs may remain for years in a region well below the average cost, or the "bulk-line" cost, and others above it; while the firms at the profit-margin are seldom the same for any length of time.<sup>9</sup> Professor Taussig, in commenting upon these results says:

The accidents and irregularities of business enterprise account in part for the position of a firm in the cost schedule; but, none the less, there is a cause at work which keeps it steadily in a given sector, and more particularly keeps the low-cost firms steadily in the low-cost region. Presumably the cause at work is a difference in managing ability. The general result, then, is to point to the existence—in a certain range of business operations—of a representative firm and of a normal price-determining cost; and also of a set of firms with costs below the normal, with a differential gain analogous to economic rent.<sup>10</sup>

What may be called a "true" or stable equilibrium price will be attained only if demand conditions remain perfectly stabilized and each supplier attains an adjustment between output and cost which is as perfect and advantageous as he can make it with the existing methods and types of equipment. The transition to such a stable price from tentative price (or what might be called, in familiar terminology, "market" price) comes with the passing of the frictional or experi-

<sup>9</sup>Northwestern University Bureau of Business Research, Series II, No. 8; 1923.

<sup>10</sup>*Quart. Jour. Econ.*, Nov., 1923, pp. 175-6.

mentative stage wherein each supplier is seeking, on the basis of his individual principles of cost, to attain approximately his "optimum" output for the given demand situation. Each supplier becomes more or less quickly conscious of the cost principle which his type of business involves and usually succeeds in roughly locating a range of production or sale (per unit of time) beyond which it does not pay him to go. All this has a profound bearing upon the understanding of the cost schedule as we have constructed it. Suppose we smooth out the step-like irregularities of the cost curve in Fig. 5 and draw a simplified continuous line, from C to E<sub>2</sub>. This will have much the same appearance as the ascending curve of "increasing costs" shown in Fig 3; but *its meaning is wholly different*. It is a curve showing the situation after each supplier has made a choice of the approximate point upon his individual cost schedule at which output is best set; and it is this individual supplier's cost curve alone that conveys, by its shape, the type of cost principle—decreasing, increasing or constant—that applies to him and presumably to others in the same type of business.

### 3. Increasing, Decreasing, and Constant Costs

The case of "increasing costs" (or diminishing returns) furnishes a good point from which to develop our subsequent analysis. When we speak of an industry as one "subject to diminishing returns" we mean that an increased volume (or rate) of output can be procured only at generally higher production costs. This of itself means that the suppliers will not increase their output unless buyers make it worth their while to do so by first augmenting the effectiveness of their demand. The first essential step, therefore, is a shift of the demand schedule (or a portion of it) to the right. In order to picture the phenomenon of increasing costs actually in operation *this expansion of demand cannot be ignored*; yet it finds no place in the traditional diagrammatic illustrations. Perhaps the commonest error in presentations of price theory is the plotting of a demand curve, applying to a given time and conditions, and putting against it an alleged long-run supply curve—in other words, forgetting all about possible changes in that demand while emphasizing actual dynamic changes in conditions of supply which cannot be assumed independently of time; with the natural result of giving supply conditions all credit for the result and supposedly confirming a "cost theory of value." It must again be emphasized that we cannot represent *increasing and unequal costs* by the movement of a point through space; or by a single curve. A single line could represent the variation of the marginal costs, but these marginal costs *cannot be located without reference to demand, so that such a curve is not independent of demand and cannot be*

plotted against a demand curve without involving circular reasoning. It is a wholly spurious construction.

Even if this difficulty did not arise, we should find another; if our single line represented successive positions of identical costs for the whole industry, it would involve the paradox that equal costs, if they exist anywhere, certainly do not exist in productive operations sub-

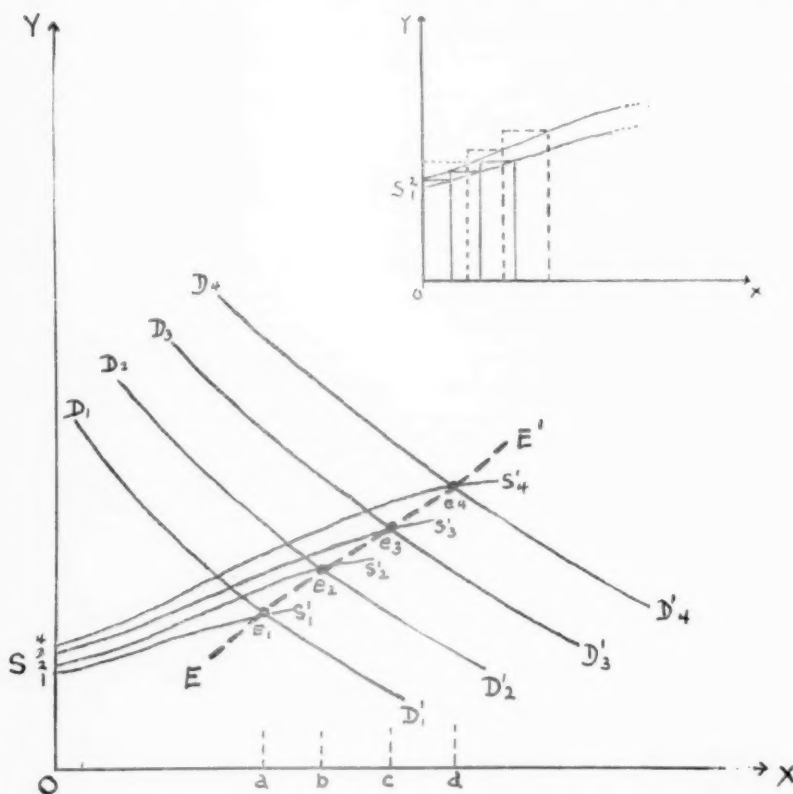


FIG. 6

ject to diminishing returns. The only possible way of representing the cost principles under increasing costs throughout a competitive industry in the actual business world is by a series of shifted cost schedules which tend to assume progressively higher positions as demand intensifies. In this way we may show not only the fact that the margin of production or cultivation is expanding extensively (as new enterprises or suppliers are involved) but that there is also an equally important intensification of production among existing enterprises—a fact that the single ascending curve, purporting to represent

increasing costs, wholly ignores. Fig. 6 illustrates a case of increasing costs, and the price trend is shown by  $EE'$ ."

The phenomenon of "producers' surplus," or economic rent, is illustrated in Fig. 7. When the demand, e.g., for wheat, becomes increasingly effective (as is shown by a shift of the demand schedule toward the right), there results a stimulus toward increased production, not only upon new land, but also upon old land. The intensive margin is always as important as the extensive; but the former is ignored by the traditional diagrams, which *extend* the pseudo-supply-curve, let us say to  $E_x$  (Fig. 7), thus raising the price from  $OP_1$  to  $OP$  and considerably enlarging the total graphic area indicating rent. Actually, however, the cost schedule must be *raised* as well as extended, the raising indicating the progress to the new intensive margin throughout. The new equilibrium is at  $E_2$ , and the magnitude of the total rent may be but moderately increased (from area  $S_1E_1P_1$  to area  $S_2E_2P_2$ ). The extent to which the total rent will be altered depends wholly on the rapidity of the increase of costs in proportion to the increased production. The higher and more uniformly the cost curve happens to rise in proportion to the increased demand, the less will the total amount

"The attempt to give to an individual supply curve or schedule the same significance as a composite supply schedule for many competing enterprises involves an ellipsis, or a logical error, of the same general type as that which vitiates the attempt (only recently abandoned) to make over an individual consumer's *utility* curve or schedule into a market *demand* schedule, without observing the complication introduced by the unequal distribution of wealth. The error in the supply curve seems to have had its origin in Marshall's diagrams of "normal" price, which are all apparently based on the assumption of equal costs. In his *Principles of Economics* (App. H, p. 811) Marshall does illustrate an unequal-cost schedule ("particular-expenses curve") apparently merely as a curiosity and with the conclusion (not very convincingly stated) that it is not a useful device. "The difference between the particular expenses curve and a normal supply curve lies in this, that in the former we do, and in the latter we do not, take the general economies of production as fixed and uniform throughout."

In attempting to represent by what he calls a "normal" supply curve the "general conditions" as to cost, Marshall fails to notice that a single curve can only do this correctly for each enterprise considered separately.

In a footnote to page 463 of the *Principles* (7th and 8th ed.) Marshall mentions what he terms the ingenious suggestion of Sir H. Cunyngnam which, in Marshall's words, "seems to come in effect to proposing that a long-period supply curve should be regarded as in some manner representing a series of short-period curves; each of these curves would assume throughout its whole length that development of industrial organization which properly belongs to the scale of production represented by the distance from  $OY$  of the point in which that curve cuts the long-period supply curve . . . and similarly with regard to demand." This suggestion, essentially similar to what has been worked out in the present study, appears never to have been carried by Marshall beyond this footnote. Incidentally, the terms "long-period" and "short-period" curve, as used here by Marshall, point to the confused nature of his supply-curve concept. His long-period curve turns out, as shown in the present paper, to be a line connecting equilibria ( $EE'$  in Fig. 6), not a true supply schedule. Professor Bullock, in the paper already referred to, pointed out clearly the fallacy involved in such constructions.

of rent tend to be enlarged. Ricardo's famous proposition that increase of total rent attends the growth of population, while generally true, might be of negligible importance in particular cases. Furthermore, the area of producers' surplus just indicated is really, in most instances, a composite, including both land rent and personal rent, or the "rent of ability." The suppliers at the margin earn neither type of

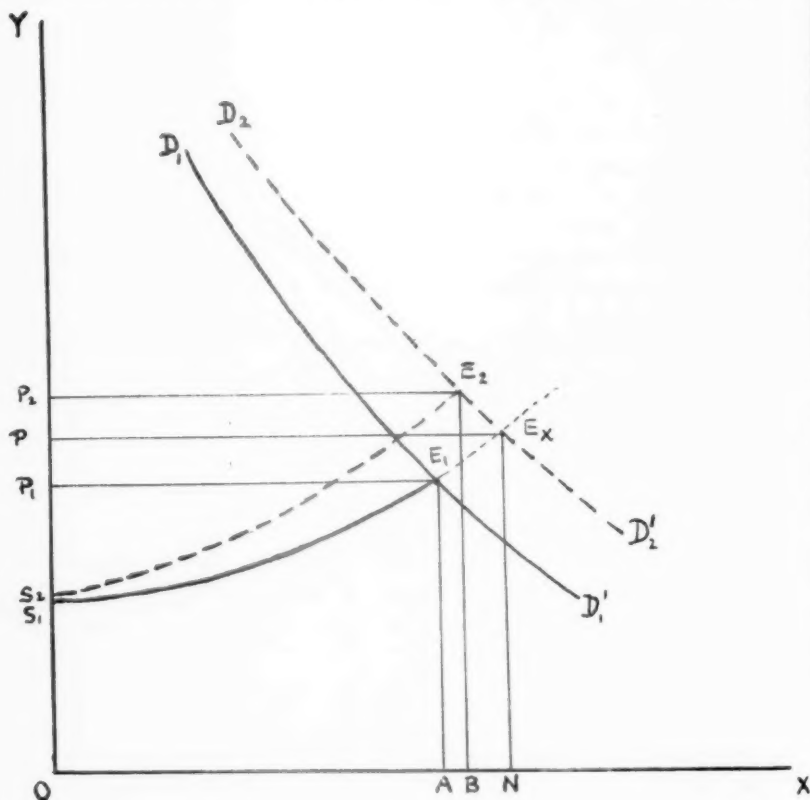


FIG. 7

rent; but those within the margin are obtaining from their operations a return exceeding the necessary (normal) expenses, because they possess relatively advantageous sites and also relatively advantageous forms of personnel and organization. It is a fair presumption that those who occupy good sites are generally those who apply intelligent and efficient methods to their utilization. This latter element of "rent" arising from persistent differential advantages in supplying the market, whether arising from non-competitive human qualities,

superiority in equipment, or other factors, is present in practically all forms of economic activity and is a component in that composite of net earnings which is often superficially discussed as "business profits."

In actual cases, it is interesting to observe that increasing costs do not necessarily involve an elevation of the cost schedules throughout

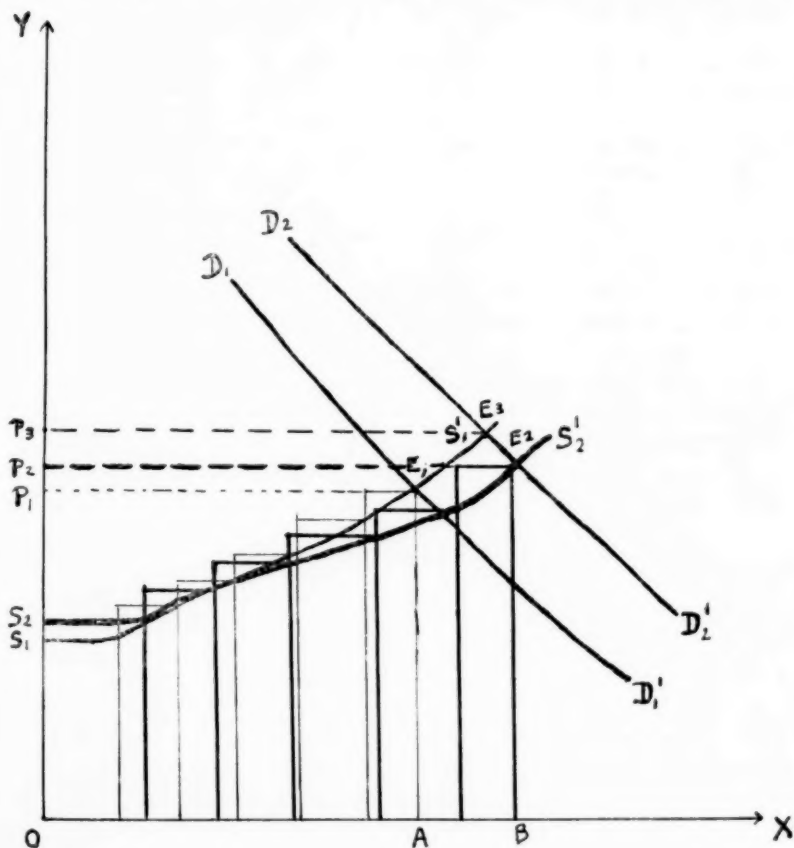


FIG. 8

their entire course. Fig. 8 illustrates (for a relatively small number of suppliers) that enlarged production for each supplier at a slightly higher cost may cause the new smoothed cost schedule  $S_2S'_2$  to fall mainly *below* the original curve, although it starts from a higher origin and comes into equilibrium with the new demand schedule at a higher point of price equilibrium ( $E_2$ ). Only in cases of a rapid rise in costs in proportion to the increase of production will the successive cost schedules be superimposed throughout. Again, there

may be cases in which a great increase in output at somewhat higher cost per unit is made by a few of the highly efficient (low-cost) suppliers, and in this case the new equilibrium price itself may be below the old price—even with a moderately greater demand.

Let us now turn to a more detailed analysis of the case of "decreasing costs," and to the practice in most economic treatises of attempting to illustrate this principle by an alleged "supply" curve which is inclined downward toward the right. In Taussig's *Principles*, for example, in the chapter on increasing returns, we find such a curve (labeled  $ss'$  in Fig. 9). In his treatment of this case Taussig, following Marshall, makes the construction of the diagram, and the reasoning concerning it, rest upon the assumption of equal costs (although in subsequent discussion, as in the passage already cited, this assumption is admitted to be wholly out of accord with the facts). "In the present case. . . . all producers are on the same plane; all have the advantage of lessening cost and increasing returns. No portion of the supply continues to be produced at a cost different from the marginal cost."<sup>12</sup>

But even if costs were equal, the single-line "long-run" supply schedule would still involve circular reasoning, since the quantity produced at any given time would be in part determined by the demand at that time and hence the supply schedule, as in our previous case, would be really a line connecting successive equilibria or intersections of true demand and cost schedules. Let us notice the type of fallacious inference which easily follows from such a construction. In Fig. 9 the line  $ss'$  is commonly assumed to indicate decreasing costs. Suppose demand falls off; what happens to the price? The diagram says it rises from  $AE_2$  to  $NE_x$ ; but if the cost schedules ( $S_1$  and  $S_2$ ) are observed, it will be found that price actually falls to  $BE_3$ , back along the new cost schedule. As a result there might presently be a slight curtailment of output all along the line with the effect of again raising price somewhat; but whether the final adjustment is at a point higher, lower, or the same as the original price is wholly a matter of circumstances. One thing is clear: that there is no reason for the

<sup>12</sup>*Op. cit.*, 3rd ed., vol. I, p. 187. It does no good to suppose that while costs are at a given time unequal, there is nevertheless a tendency toward equality, so that equality is the "normal" state. The business world is like a stormy sea on which the waves are always no doubt "tending" toward a stable level, but never achieve it. To design a ship to travel such a body of water on the assumption of a "normal" smoothness of the waves would be the first step to disaster. It is true that differences in business costs arise from diverse and clearly demarcated circumstances, some of a natural or physical, others of a psychological, others, again, of a political, nature; but even those which arise from diversity of human qualities have been minimized through the force of the old tradition, which still dominates much economic philosophy, that all men are created equal, and their differences in energy and moral character due simply to accidents of circumstance.

exact costs which in a past period must have corresponded to quantity ON being again encountered at a later period after various permanent economies have probably resulted from the expansion from ON to OA. Time processes have no reverse gears.

The true case of decreasing costs arises characteristically in businesses having a relatively high overhead. As output or sales in-

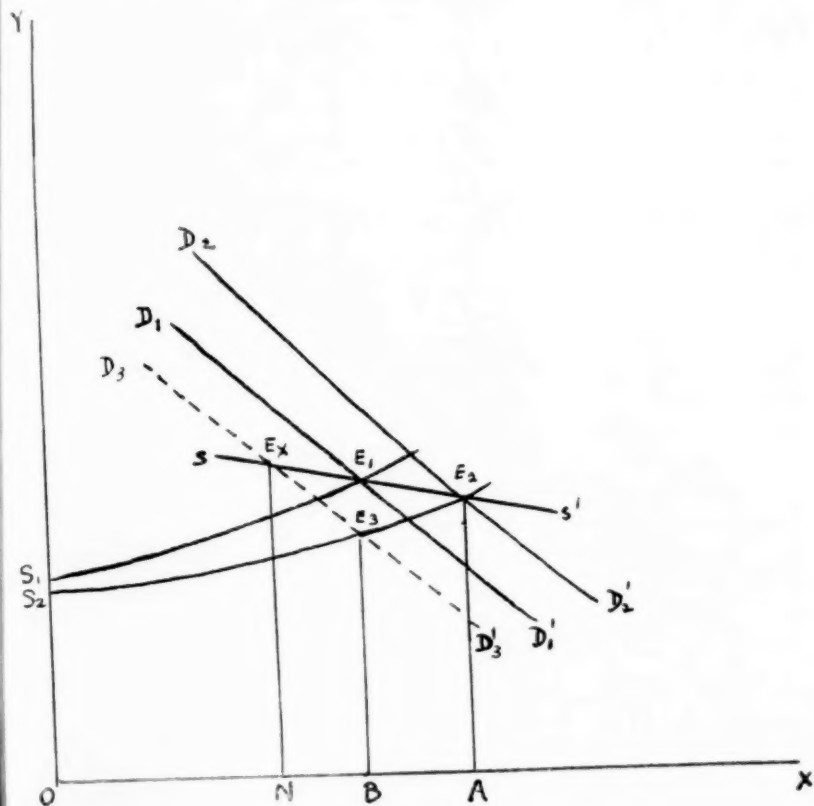


FIG. 9

crease in volume the fixed costs are, so to speak, spread thin over a wider area. But it is worth while noticing that in practice, the large-scale business may create a greater demand by actively popularizing its products and thus gain lower unit-costs because demand has permitted the enlargement of the market which reduces overhead per unit. Here again is a logical pitfall in making demand a frozen framework in which all-powerful supply principles act to "set" price. In fact, it is quite likely that with such stimulated demand despite

resulting lower costs among the better firms, price may rise rather than fall."

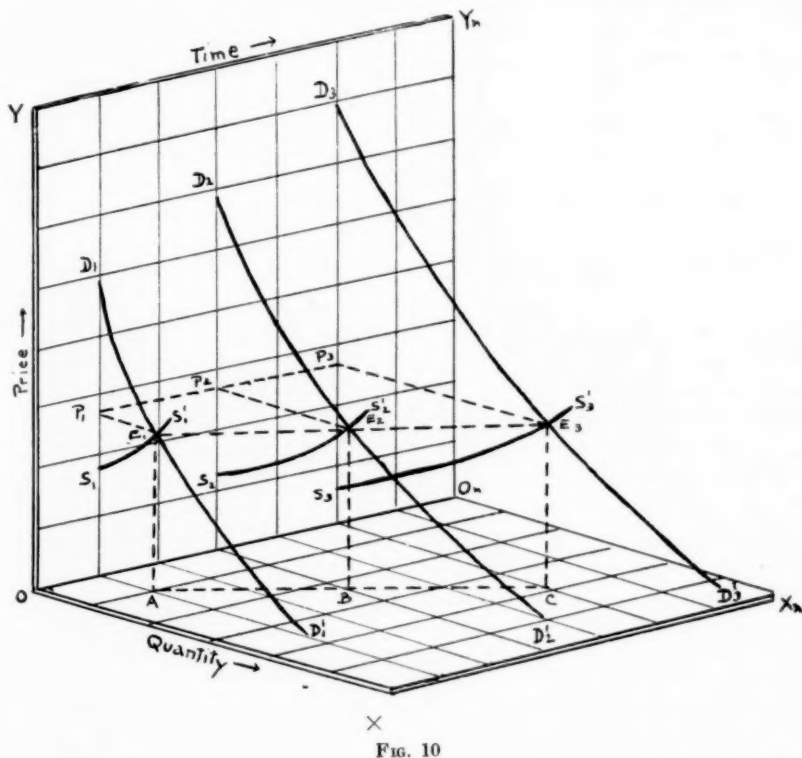
The ability to secure lowered costs by expansion of output does not necessarily depend, however, on any prior increase in the effectiveness of demand; and the principle of decreasing costs differs in this respect from that of increasing costs, in that the latter does not operate at all independently of an active shift in demand. In decreasing-cost operations price equilibrium is an unusually unstable thing because of the wide range through which suppliers are induced to experiment in order to discover new optima of output. There is always an urge or tendency toward expansion, a fact which obviously has some connection with the general cyclical movements of overexpansion and depression. The attempt, however, to account for a theoretical equilibrium price under such conditions on the basis of the costs of some "representative" firm (which for Marshall is after all nothing but an *average* firm) is as misleading as it is superfluous.

In order to illustrate graphically with perfect accuracy what really happens to demand and supply during a time process, we may select a situation from the case of decreasing costs. We ought properly to represent price-determining forces as a continuous process through time, which becomes a third dimension, as shown in Fig. 10. (It is unlikely, we trust, that a fourth dimension will be needed!) We have here not merely the intersection of *lines*, but the intersection of two

"The extent to which the principle of decreasing costs really applies in modern business seems to have been commonly exaggerated. Some writers have observed the economical operations of conspicuous large-scale businesses and have rushed to the conclusion that mere increase in volume always, or usually, brings lowered unit-costs, without noticing that these enlarged plants are often associated with new and better types of technique, personnel, and organization, all of which lies outside the scope of the decreasing-cost principle *as such*. Much confusion has also existed between large volume of output and large-scale *management*."

In the words of Professor Dewing: "It does not always pay to expand. In fact, there is probably no other policy which brings disaster to the old-established business more often than the putting into practice of the fallacious principle that profits necessarily expand as the business expands . . . . Lately, especially within the last ten or fifteen years, economists have noted . . . . that the economies of large-scale production, particularly when spread over many widely separated plants, have not been realized to anything like the extent that was anticipated. In some notorious instances they were not realized at all . . . . This suggests that the law of diminishing returns, heretofore applied to those kinds of production in which a natural resource is the constant factor and labor and capital the variables (like agriculture and mining) can be applied to manufacture, if only varying quantities of the factors of production, capital and labor, can be empirically studied in their effects on the quantity of production" (Arthur Stone Dewing, *Corporation Finance*, p. 190). In the field of merchandising Mr. L. D. H. Weld has reached the conclusions: (1) that "the principle of decreasing costs does apply . . . but not to the same extent as to most kinds of manufacturing"; (2) that in the retail and wholesale trades "points are soon reached, both in the intensive cultivation of territory already covered and in the extensive cultivation of additional territory, where costs begin to rise" (*Am. Econ. Rev.*, Supp., March, 1923, p. 197).

planes, whose surface configuration and "slant" are capable of representing every possible vibration and alteration in the demand and supply conditions arising from the play of dynamic economic forces. We see that so long as the conditions pictured by the initial static equilibrium of  $D_1D_1'$  and  $S_1S_1'$  remain unchanged, an observer looking along the planes will see simply the edges. It is these edges which



our preceding diagrams alone portray. If either, or both, of these planes change position or slope, the observer will see the portions of the surface of the planes foreshortened and this, in the previous curves, appears as the interval between the shifted schedules. In Fig. 10 the history or time sequence in the equilibrium price is indicated by the line  $E_1E_3$ , which, in this case, happens to show constant price as the accidental result of the combined play of increased demand and decreased costs.

Suppose, now, that we have the third type of case in which each supplier would find, as the result of experiment, that within a considerable range of potential output, his total unit-costs would remain

constant. How is this properly illustrated in a competitive situation of unequal advantages? Suppose that demand remains unaltered and each supplier doubles his sales at the same costs as before (Fig. 11). A smoothed line connecting the upper right-hand corners of the parallelograms of total outlay for each supplier is now shifted toward the right, although starting from the same origin (at  $S$ ) as before. The price falls from  $OP_1$  to  $OP_2$ , with the probable elimination (or

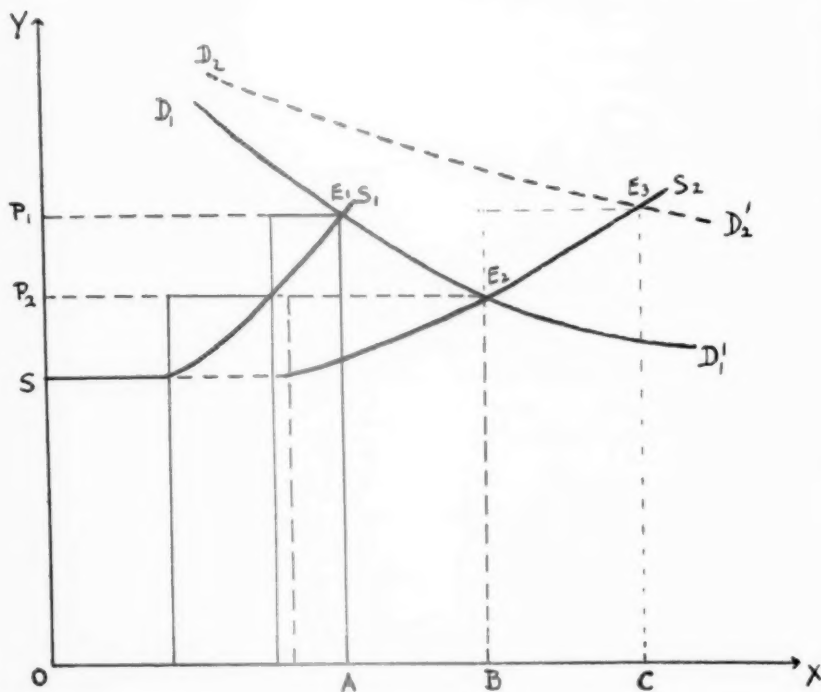


FIG. 11

absorption) of the third supplier. The conventional diagrams, by representing the supply conditions as a single horizontal line, support the erroneous conclusion that in this case supply conditions exclusively control price, since a horizontal supply line always cuts all possible successive positions of the demand schedule at the same vertical level. Professor Taussig, for example, in his chapter on constant cost, states that normal price "cannot depart from the level fixed by cost."<sup>14</sup> We find indeed that this form of statement is deeply rooted in all modern discussions which deal with "normal" prices and "long-

<sup>14</sup>*Principles*, vol. I, p. 171.

run" tendencies and which represent normal prices as governed in a peculiar measure by costs or supply conditions. Normal prices, however, even in the fictitious world of economic statics, where industrial and commercial evolution and revolution are unknown, are but transient equilibria in which *both* demand and supply factors are constantly exerting their respective force. As long as costs were assumed to be equal, demand was easily forgotten, and this fanciful assumption has concealed the true place of demand in the process and has granted to the classical Ricardian cost doctrine, dressed up in pecuniary terminology, a much longer life than it deserves. Generalized statements to the effect that normal price is "that price which is just equal to the expenses of producing a unit of a commodity"<sup>10</sup> really have no place in a modern scientific treatise. No conclusion as to the normal *price* tendency can be drawn from a given type of *cost* principle; nor, conversely, can any valid inference as to the conformation of the cost or supply schedule be drawn from the *history* of a price. From the fact that a certain price or rate has been steady for many years, it is wholly illegitimate to draw the inference (as Taussig does in the case of capital) that the supply schedule can be represented as a horizontal line."

Summarizing the conclusions of the foregoing analysis, we find the usual type of "normal" supply schedule to be a spurious and illogical construction, even more misleading in its implications than the alleged normal demand schedule. Such supply schedules turn out to be nothing other than records of successive equilibria. They are price histories, not supply conditions; results, not causal elements. In the light of all this, the very concept of a definite "normal price" loses much of its theoretical usefulness and significance, especially when we introduce into our variables all of the dynamic irregularities and

<sup>10</sup>Ely, *Outlines of Economics*, 4th ed., p. 158.

The precise connotation of "increase and decrease" of supply is a less simple problem than in the case of demand, because supply may involve a given amount of a tangible thing ready for sale; demand however is an evanescent, fluid, contingent entity capable of rapid variation according to price and quantity. We may speak, e. g., of an altered supply in two legitimate senses: (a) referring to an immediate situation in which a definite quantity is for sale or a definite *rate* of marketing is in point; (b) referring to possible variations in the supply situation in which case we consider a set of *relations* between quantities (or rates of quantity) and the costs pertaining thereto. Thus "increased supply" in the latter connection might really mean increased *effectiveness* of supply in attracting further buying; e. g., a given quantity produced at lower costs. Conversely, decreased effectiveness of supply might apply to a given quantity offered at a higher price—perhaps as the result of a tax. However, the term "effectiveness" has more significance in applying to demand than to supply, because alterations in demand have the power to occasion active changes in supply conditions (a shift in cost schedules), while changes in supply do not of themselves cause the demand schedule to shift. By reducing costs and lowering price more can be sold, but this is not a change in demand. These considerations still further emphasize the vast importance of the demand side of the price problem.

qualitative changes which in actual life accompany change in either demand or supply. And since nothing can be told as to price determination from a knowledge of the cost principle (diminishing, increasing, or constant) and since these principles cannot be said to attach peculiarly to any type of business undertaking and are themselves constantly being modified and counteracted by complex *qualitative* readjustments whose effects are often far more important in the explanation of concrete situations, it would appear that an exaggerated importance has been attached to those principles as explanations of price determination. In short, demand conditions and supply conditions both combine to determine price trends under all conceivable circumstances.

It is certain that graphic illustrations of the laws of price determination are more than incidental supplements to theoretical analysis; they are almost indispensable working instruments by means of which theoretical situations and principles have been worked out. They are tools of thought; and, as such, must be properly used, otherwise the results they help to establish will be imperfect and incapable of assisting in the formulation of sound conclusions in economic and social problems. In a subsequent study, the principles developed above will be applied to an examination of some current theories of the incidence of taxation and of the distribution of wealth.

NORMAN J. SILBERLING.

*University of California.*

## RECENT DEVELOPMENTS IN BRANCH BANKING

Two years ago domestic branch banking in the United States was largely an academic question. In California and in a few cities, notably Detroit and Cleveland, the issue had assumed practical importance but the public generally and even the majority of bankers had not given it serious consideration. The developments of the past two years have made this the outstanding problem in American banking today. Within these two years (prior to June 1, 1924) four important events have occurred to focus public attention on branch banking: first, the comptroller has authorized the first "additional offices" for national banks; second, the First National Bank of St. Louis opened a branch in opposition to state law and after carrying its case to the highest court in the land has been defeated and forced to abandon its branch development; third, the Federal Reserve Board announced a new set of regulations (effective April 7, 1924) governing the establishment of branches by state member banks; fourth, the Committee on Banking and Currency has reported to the national House of Representatives the McFadden banking bill, the most striking features of which pertain to branch banking. Bankers' organizations have debated the question and passed resolutions defining their position, generally in opposition to branch banking. Several local and state organizations of bankers as well as one national organization have been formed to wage the fight for the independent banks.

In the heat of the present controversy concerning branch banking it is popularly assumed that this form of banking is new in the experience of the United States. On the contrary we have had more or less branch banking throughout our national history. The First Bank of the United States had eight branches and the Second Bank of the United States had twenty-five branches. State banking before the Civil War was characterized by almost as wide a variety of systems as there were states. In these systems the branch banking idea predominated in the southern states. In the north, branch banking was not widely used and in some states was prohibited.<sup>1</sup>

The state banks of Virginia (established 1804), Indiana (1834), Missouri (1837), Ohio (1845), and Iowa (1858) are examples of sound banking conducted by branch systems. Some of the above banks were partly or wholly state owned; others were state banks only in name, the state having no stock in the institution at all. In some, the system should be characterized as a bank of branches, the central board of directors acting merely in a supervisory capacity. The fifteen branches of the State Bank of Iowa, for instance, had separate stockholders, separate capital, were independent in the matter

<sup>1</sup>Dewey, *State Banks before the Civil War*, pp. 136-143.

of earnings and dividends but jointly liable for each other's obligations, chiefly circulating notes. Examples of unsuccessful state banks which operated branches may also be cited. The source of weakness was generally state ownership and political control rather than operation of branches.

The chief model for the national banking act was the free banking system, first adopted by New York in 1838.<sup>2</sup> Unit banks and bond-secured currency were features of this plan. Branch banking was contrary to the free banking law of New York.<sup>3</sup> The National Banking act granted no affirmative authority to create branches or additional offices, but there is nothing which expressly prohibits national banks from establishing branches. Section 5134 of the Revised Statutes requires the organization certificate to specify among other things: "The place where its operations of discount and deposit are carried on, designating the state, territory, or district and the particular county and city, town, or village." It is further provided (sec. 5190) that: "The usual business of each national banking association shall be transacted at an office or banking house located in the place specified in its organization certificate."

Until D. R. Crissinger became comptroller in 1921, the law was consistently construed by the comptroller to prohibit branches or additional offices. In 1911 the Lowry National Bank of Atlanta, Georgia, requested permission to establish a branch office in the city. At the request of the Treasury Department, an opinion as to the legality of such action was prepared by Attorney-General George W. Wickersham. In his opinion, a national bank did not have the right to establish a branch for the purpose of carrying on a general banking business, although agencies with limited functions might be lawful.<sup>4</sup>

In order to permit state banks which had already established branches to enter the national system the law was amended in March, 1865, to provide that state banks, when converted into national banks, might retain their branches. When a converted state bank having branches consolidates with a national bank the branches may also be continued.<sup>5</sup> Twenty-nine national banks were operating 101 branches in October, 1923, in accordance with one or the other of the above

<sup>2</sup>Evidence of the direct connection may be found in the language of the statute. The Free Banking act required the certificate of the incorporators to designate: "The place where the operations of discount and deposit of such association are to be carried on, designating the particular city, town or village."

(Laws of New York 1838, Ch. 260, Sec. 16, par. 2. This is almost exactly identical with sec. 5134 of the Revised Statutes.)

<sup>3</sup>Dewey, *op. cit.*, p. 143.

<sup>4</sup>Opinions of the Attorney-General, XXIX, 81.

<sup>5</sup>National and state banks are not allowed to consolidate directly but the state bank must first convert into a national bank. This appears to be a needlessly cumbersome method.

provisions.<sup>6</sup> None of these branches were established *de novo* by the national bank.

Continuous data pertaining to the laws of the several states in regard to branch banking are not available. The National Monetary Commission reported in 1910 that the laws of nine states permitted branches of state banks, eight states prohibited branches and in the remainder the law was silent. In the majority of states where there was no specific provision for branches they were held to be unlawful.<sup>7</sup>

The most recent available data on state laws are to be found in a memorandum submitted by Comptroller H. M. Dawes to the House Committee on Banking and Currency.<sup>8</sup> This memorandum shows that the laws of seventeen states prohibit branch banking in any form. In eleven other states, where there is no specific provision in the law, branch banking is either prohibited by administrative order or is not practiced by any bank. In the remaining twenty states and the District of Columbia, branch banking is permitted either specifically by statute or with the permission of the proper state authorities. The states permitting branch banking may be further classified into: first, those permitting only intra-city branch banking, of which there are nine; second, those where county-wide branch banking is permitted, of which there are only two; and third, those permitting state-wide branch banking. Nine states specifically allow the latter type of branches. Of the states in which branch banking is now tolerated, at least six states have banks which are still operating branches established prior to the passage of the present law. In twenty-two states, therefore, branch banking is prohibited and there are no branches now in operation.

Intra-city branches or additional offices are found in twenty-five of the cities of the United States having a population of 200,000 or more according to the 1920 census. The exceptions are Chicago, St. Louis, Pittsburgh, Minneapolis, Kansas City, Portland, Denver, and St. Paul. Minneapolis is included in the list of cities without branch banking, although at least two of its national banks are operating branches or agencies. But apparently these offices have not been recognized by Comptroller Dawes, for he did not place Minneapolis in the table of cities in which member banks operate branches that he presented at the hearings on the McFadden bill.

California is developing a system of branch banks more rapidly and extensively than any other state. The number of branches is

<sup>6</sup>Report of the Comptroller of the Currency, 1923, pp. 86-88.

<sup>7</sup>Barnett, *State Banks and Trust Companies since the Passage of the National Bank Act*, Publications of the National Monetary Commission. Senate Doc. No. 659, 61st Cong., 2nd Sess.

<sup>8</sup>Hearings on the McFadden Bill, April 9, 15, 16, and 18, 1924, pp. 45, 46.

constantly changing but as stated at the hearings before the House Committee in April, 1924, eighty-eight banks were operating about 468 branches. In addition eight national banks were operating branches or "additional offices."<sup>8</sup> In May, 1922, there were seventy-nine state banks operating only 254 branch offices; this indicates the rapidity with which branches have been added in the last two years. The Bank of Italy of San Francisco has a network of about eighty branches covering about fifty cities including all the larger cities of the state. The Pacific Southwest Trust and Savings Bank of Los Angeles, with about the same number of branches, is next in extent of area covered. It has limited its field of activity, for the present at least, to the territory which it regards as tributary to Los Angeles; its northernmost branches are located at the railroad points where the freight rates between San Francisco and Los Angeles are equalized, a distance of approximately 250 miles. The Mercantile Trust Company of San Francisco and the Security Trust and Savings Bank of Los Angeles are examples of banks limiting their branches to an "economic area" having a radius of not over fifty miles from the head office. Some of the large branch systems limit their area to the city in which their head office is located. Quite a number of California branch systems are small country banks operating only one or two nearby branches. The growth of the movement in the state accounts for the attention which has been given to California conditions and also for the active interest by California bankers in the recent developments.

Methods have been used by which banks have been brought under single control even in states where branches are not permitted. National banks and state banks generally are prohibited from owning the stock of another bank. But the laws have not prevented the ownership of several separately incorporated banks by the same person or group of persons or a holding company formed for this purpose. An example of a banking system of this kind is the Union Securities Company of Spokane. This company owns the controlling interest in twenty-five banks in eastern Washington and northern Idaho, about 90 per cent of the capital being in the national system. The holding company is a separate corporation under state law but is somewhat closely affiliated with one of the largest national banks of eastern Washington. Such a system as this is not, of course, branch banking, since each unit is entirely separate legally from the other. Nevertheless it has many of the features of a branch system—weekly reports of the larger transactions, frequent audits, general advice and super-

<sup>8</sup>Hearings before the Committee on Banking and Currency on the McFadden Bill, p. 91.

vision from the head office, intercommunity shifting of loanable funds and wider distribution of risks.

Data regarding the extent of this type of banking integration are not obtainable. In 1909 the investigator for the National Monetary Commission concluded that such systems occupied an insignificant place, although noting something of a tendency toward increase.<sup>10</sup> Edmund Platt, vice-governor of the Federal Reserve Board, recently stated: "The Middle West and the South and mountain states of the Far West, are full of such chains of banks."<sup>11</sup> His statement is very indefinite and is admittedly made without specific information. In the writer's opinion he overestimates the importance of these chain systems.

Stockholders of national banks have frequently organized an affiliated state bank or trust company to operate under a single roof and with the same officers. This has been done in the past primarily to add to the functions of the institution, but with the broadening of the powers of national banks under the Federal Reserve act this form of affiliation has become of less importance, the trust and savings activities being carried on now as departments of the national bank. In California the device of an affiliated state bank is a method whereby national banks indirectly operate branches, one of the best examples being the First National Bank of Los Angeles and the Pacific Southwest Trust and Savings Bank. In states where branch banking is excluded, this plan of affiliated institutions is now being used to control outlying banks in the cities and thereby create what are in effect limited branch systems. No data are available as to the number of banks operating in this manner. In fact the relationship existing between banks may not even be known generally in the community. Seattle furnishes an unusual example of the conversion of an established branch of a national bank into a subsidiary state bank. The branch was one of two previously established under a state charter. No more branches may now be created and "additional offices" of national banks are not allowed in Washington. In order to move one of the existing branches to another location the state bank was chartered. It is operated essentially as it was while a branch. While conversions of this kind are exceptional, the form of control of outlying banks is not unusual.

When D. R. Crissinger became comptroller in 1921, he noted that branch banking was spreading rapidly in some states with the result that banks were withdrawing from the national system in order to meet the competition. In other cases national banks were creating affiliated institutions in order to extend their branch system. Other na-

<sup>10</sup>Barnett, *op. cit.*, pp. 135-143.

<sup>11</sup>*New York Journal of Commerce*, Jan 4, 1924.

tional banks were obtaining branches through consolidation with a converted state bank under the terms of the consolidation act of 1918. Believing that the national banks were unfairly handicapped with respect to branches, Mr. Crissinger, in his 1921 report urged congressional support to an amendment which would grant power to national banks to establish a limited number of branches in the same city or county in which the parent bank was located.

Congress took no action. Accordingly, early in 1922, Comptroller Crissinger let it be known to interested bankers that he would approve the establishment of agencies or "additional offices" within the city in which the bank's head office is located. The first bank to secure this right was the Commercial National Bank of Los Angeles, three agencies of this bank being approved on June 13. By October 31, 1922, thirty-three banks in twelve states and the District of Columbia had been granted the right to establish fifty-one "additional offices." A year later there were fifty-nine banks and ninety-six "offices." Mr. Crissinger took the position that branches in the full sense of the term were not lawful under the national banking law but that "additional offices" might be established within the corporate limits of the same city if limited in activity to routine tasks such as paying checks and receiving deposits. He held it to be within the power of the comptroller to deny this right to national banks in states where the state law prohibited branches of state banks.

Mr. Crissinger explained his action in his 1922 report to Congress and defended it upon the ground of preserving the integrity of the national banking system. In Detroit, for instance, there were, as he pointed out, three national banks and one additional office as against fourteen state banks with 189 branch offices. In Cleveland there were also three national banks with two additional offices in contrast with eighteen state banks with seventy-five branches or agencies. In Buffalo the figures were four national banks with one additional office and twelve state banks with forty branches. New Orleans had only one national bank but there were nine state banks with fifty-six branches. In view of the fact that there was some uncertainty as to the legality of the action he had taken in authorizing additional offices he again earnestly recommended "that Congress pass an amendment to the National Banking law granting to national banks, within the discretion of the comptroller, the privileges enjoyed in each state by its state banks."<sup>2</sup> Again Congress refused to act, although the situation seemed to demand action.

Early in 1923 Mr. Crissinger was appointed governor of the Federal Reserve Board and H. M. Dawes became Comptroller of the Currency.

<sup>2</sup>*Report of the Comptroller of the Currency, 1922, p. 4.*

Desiring to clear up as far as possible the legality of the power of national banks to operate "additional offices" he asked for an opinion from the attorney general upon this point. Under date of October 3, 1923, Attorney-General Daugherty replied in substance that national banks have the power to operate "additional offices" for the performance of such routine services as the receipt of deposits and the cashing of checks for their customers. He held that such additional offices could only be established in the city where its regular operations of discount and deposit were carried on."

This opinion, being in line with the policy earlier adopted by Comptroller Crissinger, did not necessitate any reversal of former practice. But on October 26, 1923, Comptroller Dawes issued definite regulations for the first time setting forth the terms under which additional offices would be approved. Operations are to be confined to routine duties; making of loans is expressly prohibited but receiving of applications to be acted upon by the directors or loan committee at the head office is allowed as long as no discretionary authority with reference to making loans is vested in any officer or employee at such additional office. Daily reports of business must be transmitted to the head office and must enter into all statements of condition of the bank.

The comptroller held that the right to establish additional offices was only an implied power and therefore he would authorize it only where a real necessity existed. On this ground he announced that additional offices would not be approved in localities where other banks are prohibited from enjoying similar privileges. In other words, national banks were not to have any advantage over state banks in this respect." The right of national banks generally to establish branches remained an unsettled question.

Comptroller Crissinger had authorized "additional offices" of national banks only in states where the state banks were allowed to operate branches. Moreover he was unwilling to allow these offices to be designated as branches or permit them to conduct a general banking business. In so doing he apparently felt that he was going as far as the policy of his predecessors and the earlier opinion of the attorney general would permit him to go.

On June 15, 1922, two days after the first "additional offices" were formally approved, the First National Bank in St. Louis established a branch several blocks from its main banking office with the announced intention of "conducting a general banking business." It also secured options on about a dozen other sites for the purpose of opening branch banks at various locations in the city. The issue now was sharply

"Report of the Comptroller of the Currency, 1923, p. 151.

"Report of the Comptroller of the Currency, 1923, p. 153.

drawn. A branch had been established in a state where the state law definitely prohibited state banks from having branches. This was contrary to the policy of the comptroller and he refused to authorize this step; nevertheless, he declined to bring suit against the bank. Action was immediately brought by the Attorney General of Missouri in the nature of a quo warranto to oust the bank from the privilege of operating branch banks. The case was tried in the Supreme Court of Missouri which rendered a decision (March 3, 1923) in favor of the state. The bank appealed to the Supreme Court of the United States, where the case was argued early in May, 1923.<sup>15</sup> After the first hearing the court ordered a reargument "on the issue whether the state had authority to institute and maintain a proceeding to question compliance by a national bank with its charter."<sup>16</sup>

The bank held that the federal government alone had the right to proceed against it. In this contention it was supported by the United States government, which was given permission by the court to file a brief and to participate in the oral argument upon the rehearing of the case. Arguments were also presented by attorneys representing certain New York national banks which operate branches and by representatives of eighteen states, where branch banking is prohibited, as follows: Wisconsin, Minnesota, Indiana, Iowa, Illinois, Utah, New Mexico, North Dakota, Arkansas, Kansas, Connecticut, Wyoming, West Virginia, Kansas, Oklahoma, South Dakota, and Washington.

The state did not question the right of the national authorities to proceed; it simply contended that either the state or the nation had the requisite authority. It was granted that the state could not have any right "to cut down any of the bank's *authorized activities*." (Italics mine.) Moreover it was admitted that where an act is contrary only to national law "and is not in addition an act in contravention of local or state law, the state has no authority to question or stop such conduct."<sup>17</sup>

The court was therefore called upon to pass upon the question of whether or not the state law was in conflict with the laws of the United States, it being admitted that the federal law relating to national banking associations was paramount. It has already been shown that the right of a national bank to operate branches is not expressly granted in the national banking law. It had been alleged that the establishment of a branch is an incidental power which is necessary to carry on the banking business. But the court held that the mere multiplication of offices is not a necessary incident of the banking business. The

<sup>15</sup>First National Bank in St. Louis *vs.* State of Missouri, U. S. Advance Opinions, 1923-24, p. 235.

<sup>16</sup>Brief for Defendant on Reargument of Case, p. 1.

<sup>17</sup>Brief for Defendant on Reargument of Case, p. 3.

fact that national banks had operated successfully for half a century without branches was held to be sufficient proof of this contention.

Section 5190 of the Revised Statutes states that the usual business of a bank must be transacted at "an office or banking house." The sections of the law providing for the conversion of state banks with branches into national banks contain very definite limitations upon the activities of these institutions. The entire absence of such limitations from the statute otherwise was held to confirm the conclusion that the law did not contemplate the establishment of branches by banks organized originally as national banks. Attention was called to the fact that Congress had also so interpreted the law by passing special enabling acts permitting the establishment of temporary branch banks at the Chicago and St. Louis Expositions. Moreover, the court gave weight to the interpretation which had been consistently placed upon the law by the officers charged with the duty of executing the law. The court held, therefore, that the National Banking act denied the right of national banks to establish branches. The decision was announced January 28, 1924.

It followed that the Missouri law prohibiting branch banking within the state was valid, since it was not in conflict with federal law. Furthermore in the opinion of the majority of the court the state had authority to enforce its own law as against national banks. Upon this point the court was divided. Justice Van Devanter wrote the dissenting opinion which was concurred in by Chief-justice Taft and Justice Butler. Justice Van Devanter pointed out that there was no claim made that the present federal law contained provisions making the branch banking privilege dependent upon state law. The state law, therefore, had in his judgment no bearing on the solution of the question. The entire issue rested upon the laws of the United States. "If they grant the privilege, expressly or by fair implication, no law of the state can abridge it or take it away. And if they do not grant it, they in effect prohibit it and no law of the state can strengthen or weaken the prohibition." In his opinion, therefore, the state was not entitled to bring the proceeding.

The bank immediately requested a rehearing and was joined in this motion by the federal government. This request was denied by the court on February 18.<sup>1</sup> This closed the matter; the officers of the bank announce that they are subletting all of the leased properties in which they expected to start branch banks and will not attempt to operate a system of subsidiary banks at these locations.

The day following the announcement of the decision of the Supreme

<sup>1</sup>*Commercial and Financial Chronicle*, vol. 118, p. 862.

Court, Comptroller H. M. Dawes made public a statement to the effect that the decision would cause no change in the rulings of the comptroller relating to the branch bank question. He took the position that the court merely confirmed the position of the comptroller in the matter of branches. The power of national banks to extend its "tellers windows" was not called in question. The case had gone to trial on the issue of establishing a branch to conduct a general banking business."

In its motion for a rehearing of the case the bank emphasized the importance of having the court differentiate between "additional offices" or "tellers windows" and those branches which have discretionary powers. This question may yet call for judicial determination but, since the right to establish "additional offices" is only granted by the comptroller in states where state banks have a right to establish branches, conflict is not apt to occur, unless, as is the case at present in Tacoma, a national bank undertakes to maintain "tellers windows" in spite of a state law against branches.

The decision in the St. Louis case protects state banks, which are prohibited by state law from establishing branches, from the competition of branches of national banks. At the same time it has been interpreted by the comptroller as in no way restricting his power to authorize "additional offices" under the limitations of his regulations of October, 1923. The result therefore is to leave national and state banks nearly on a basis of equality in branch extension. Full equality is not attained. "Additional offices" are not *branches*, if the spirit of the comptroller's regulations is complied with. State laws authorizing branch banking generally allow the branches full banking functions. It must further be recalled that in nine of the twenty states where branch banking is now permitted, branches may be established anywhere within the state. No construction which the comptroller could legally give the national law would place national banks on a basis of full equality with state branch banking systems. Congress could do so by amendment of the National Banking act. All attempts to secure the passage of such legislation have thus far been unsuccessful. The principal provisions of the McFadden bill, a measure containing sections looking in this direction, will be discussed below.

Although no administrative action can equalize the branch banking privilege for national banks, it is within the power of the Federal Reserve Board to bring about substantial equality between the national and state bank members of the system. Under the terms of the Federal Reserve act a state bank becoming a member of the federal reserve system is allowed to "retain its full charter and statutory rights

*"Federal Reserve Bulletin, April, 1924.*

as a state bank or trust company, and may continue to exercise all corporate powers granted it by the state in which it was created. . . ."<sup>1</sup> This has been interpreted by the Federal Reserve Board to include the right to continue or even to extend its branch system.<sup>2</sup> But such extension must be under regulations prescribed by the board.

Following the announcement of the comptroller's regulations last fall the Federal Reserve Board adopted resolutions on November 7, 1923, effective as of February 1, 1924, the general effect of which was to stop the further extension of state-wide branch banking within the federal reserve system. It was held in support of this action that the organization of the federal reserve system was made possible only because of the power to enforce coöperation of national banks. Moreover, while many of the large state banks, operating branch offices, are now members of the federal reserve system, they may withdraw at any time upon six months' notice. As a matter of insuring a stable membership to the federal reserve system, therefore, it was deemed essential that the national banking system be preserved and extended. The method adopted did not, however, secure unanimous support. Vice-governor Platt presented a minority report, which was supported by two of his colleagues, which favored extending the privileges of national banks rather than restricting state banks. This has consistently been the policy in the past. Under the Federal Reserve act, national banks have been granted trust powers, power to make farm loans, and more favorable reserve requirements against time deposits. He contended that equality between state and national banks should be sought by securing legislation which would direct the extension of branches and give power to national banks to establish branches in states where state banks are allowed this privilege, rather than by denying all further extension. The majority of the board, however, apparently felt that branch systems were incompatible with federal reserve development.

The board's action had greatest significance in California because of the extent of branch banking development in that state. In the weeks that intervened between November 7 and February 1 numerous applications were filed for additional branches by state bank members. But even this period proved too short to enable banks which were looking toward expansion to complete their plans. In order that no injustice be done to Los Angeles and San Francisco banks, the board substituted a definition of contiguous territory which is very broad and includes the territorial area naturally tributary in a financial sense to these cities. Very definite boundary lines were drawn and it was

<sup>1</sup>Federal Reserve Act, sec. 9.

<sup>2</sup>Hearings on the McFadden Bill, p. 59.

stipulated that after August 1, 1924, the definition contained in the board's resolution of November 7 would be in full force.

On April 7, 1924, however, the Federal Reserve Board announced a revision of its regulation governing membership of state banks and trust companies.<sup>22</sup> Section IV of the new regulation lays down principles regarding establishment of branches. These provisions are summarized in another part of the same bulletin as follows:

(1) The establishment of branches will be restricted to the city of location of the parent bank and the territorial area within the state contiguous thereto (as defined in the board's resolution of November 7, 1923), except where state banking authorities have certified and the board finds that public necessity and advantage renders a departure from the principle necessary or desirable.

(2) As a general principle no branches will be authorized, unless the state authorities regularly make simultaneous examinations, satisfactory to the board, of the head office and all branches, agencies, or offices.

(3) As a general principle the board will require that the parent bank keep for itself and its branches an adequate ratio of capital to total liabilities and an adequate percentage of its investments in the form of paper or securities eligible for discount or purchase by federal reserve banks.

(4) The board will not consider an application to establish a branch until the local state authorities have approved its establishment and the federal reserve authorities of the district have made a report upon the financial condition of the applying bank, the general character of its management, what effect the establishment of the branch would have on other banks or branches in the locality, and whether the establishment of such branch would be in the interest of the public, and have also submitted their recommendation as to whether or not the application should be granted.

The effect of the new regulation is to make possible greater liberality in the treatment of state banks applying for permission to establish branches than was possible under the resolution of last November. Instead of the sweeping prohibition against all branches outside of the home city or territory contiguous thereto, the new regulation states this as a "general principle" which may be modified "where the state banking authorities have certified and the board finds that public necessity and advantage render a departure from the principle necessary or desirable."

The present regulations leave too great possibilities for the extension of branch banking within the federal reserve system to satisfy the opponents of branch banking. They point out that the regulations do not contain the teeth that were found in the board's resolution of last fall. Individual views upon the economic soundness of the board's revised regulations will be determined largely by one's attitude upon the principle of branch banking in general.

The comptroller, the attorney general, the courts, and the Federal

<sup>22</sup>Regulation H, Series of 1924, *Federal Reserve Bulletin*, April, 1924, pp. 279-281.

Reserve Board have each undertaken to make some contribution to the solution of the branch banking controversy. Congress has also attacked the problem. On February 11, 1924, Louis R. McFadden, chairman of the House Committee on Banking and Currency, introduced a bill designed to amend the National Banking and Federal Reserve laws in a number of particulars. The bill was referred to the committee for consideration and after some interesting public hearings on the branch bank sections it was favorably reported to the House again on April 25 and its passage urged. It reached Congress so late in the session that its passage was improbable. It has attracted so much attention, however, and the hearings before the committee brought out in such sharp contrast the opposing views on branch banking that its provisions warrant rather full consideration.

Section 1 of the bill provides for the direct consolidation of state and national banks, but makes it unlawful for the consolidated association to retain in operation any domestic branches outside of the city in which it is located. Section 7 revises section 5155 of the Revised Statutes, the amendment of 1865 permitting a state bank when converting into a national bank to retain its branches, by limiting the branches to those in the city where the parent bank is located. This would not affect branches of national banks in operation at the time of approval of the act but it would require a state bank which in the future wishes to convert to a national bank to dispossess itself of all its branches in operation outside of the home city.

The bill as drafted (section 8) authorizes national banks, with the approval of the comptroller, to establish branches within the corporate limits of the municipality in which the parent bank is located. The section specifically prohibits the establishment of such branches in states where the state banks are prohibited from establishing branches.<sup>23</sup> Moreover, the number of branches is limited to one in cities from 25,000 to 50,000 population and to two in cities from 50,000 to 100,000. No definite limit is placed upon the number in larger cities. Branches are defined so as to include any branch, agency or additional

<sup>23</sup>The United States Bankers Association Opposed to Branch Banking has objected to this part of section 8. Its officers grant that relief should be given to national banks in states where intra-city branch banking is extensively practiced. They protest, however, to a law which will tend to destroy the alliance between national bankers and independent state bankers. In the past, national bankers have fought to preserve state laws prohibiting branch banking, because they did not want their state bank competitors to have privileges denied to them. This section of the McFadden measure would, if enacted, automatically legalize intra-city branches whenever the state law was changed. The Association has therefore proposed an amendment, which has received consideration by the House Committee on Banking and Currency, "limiting the right of national banks to have branches to those states which at the date of the passage of the measure granted this privilege to state institutions." In this form they hope to have the McFadden bill introduced and passed at the December session of the present Congress.

office "at which deposits are received or checks cashed or money loaned."

Under the terms of section 9 of the bill, state banks hereafter seeking membership in the federal reserve system must as a condition precedent thereto relinquish all out-of-town branches. State banks now members would not be permitted to establish additional out-of-town branches and would be restricted in the same manner as national banks in respect to the establishment of city branches. Existing branches of member banks are not affected but the further spread of state-wide branch banking within the federal reserve system would be stopped. Moreover, the intercommunity branch banking systems not now members of the federal reserve system would be excluded from membership.

It was this section of the bill upon which attention centered in the hearings. Two groups of bankers made a pilgrimage from California to present their case before the committee. Independent bankers were represented by three men who are heads of relatively small national banks. State-wide branch banking was represented by two of its ablest exponents, supported by the State Superintendent of Banks. Both groups favored the section permitting national banks to have an opportunity to establish intra-city branches. They disagreed sharply over section 9, which would prevent state bank members of the federal reserve system from further extending their intercommunity branches. The independent bankers insisted that the expansion of state-wide branch banking in California was not in response to an economic demand but due to the boundless ambition of certain banks to increase their size and the jealousy on the part of others of the big figures attained by their rivals. They charged that certain unethical practices had resulted from the mad scramble for added branches.

The branch bankers, on the other hand, endeavored to prove that intercommunity branch banking had resulted in greater service to the people of the state and had contributed to the remarkable record of safety of banks in California during the past fourteen years. They favored permitting branches of national banks not only in the cities but on a basis of full equality with the state banks. The adoption of section 9 could not absolutely prevent state banks from expanding the number of their branches but it would force them to choose between retaining their membership in the federal reserve system or limiting their out-of-town branches to those now in existence. Eighteen of the larger branch systems are members of the federal reserve system. They testified that they entered the federal reserve system in response to a patriotic appeal and under the definite assurance from the Federal Reserve Board that branch banking could be continued under proper restrictions. Mr. Elliot of the Security Trust and

Savings Bank of Los Angeles testified that his bank has never rediscounted a dollar and does not expect to do so. Nevertheless, the officers of the bank do not want to get out of the system. He declined to state whether or not they would do so if the law was passed. According to his figures the branch banks in California that are members contribute 37 per cent of the reserves of the Federal Reserve Bank of San Francisco and 50 per cent of the reserves contributed by California banks.<sup>24</sup>

The committee evidently concluded that the branch bankers would remain in the system and that thereby state-wide branch banking would be checked or that it was better to have them withdraw than to permit the further growth of branch banking within the federal reserve system. The bill was reported without any relaxation of the provisions of section 9.

Are the branch banking sections of the McFadden bill economically sound? The answer to this question involves a consideration of the whole policy of branch banking in America. The subject is so controversial, and the testimony as to its results where tried is so conflicting, that only tentative conclusions can be reached.

Hopeless confusion marks much of the discussion about branch banking because of failure to define the issue. Branch banking might be intra-city, intercommunity within a rather definite economic area, state wide, or nation wide. In a little booklet published by the Chicago and Cook County Bankers Association all of these stages are pictured. The Chatham and Phoenix National Bank of New York is used to illustrate intra-city branch banking, the Cleveland Trust Company illustrates the second stage, the Bank of Italy is shown as covering California, and the Bank of California National Association illustrates the interstate type. Numerous other examples might be chosen; California furnishes examples of all four types.

Interstate branch banking, at least at the present stage, is not a factor. The Bank of California National Association is a decided exception. It has been in existence over sixty years and during its early days maintained branches or agencies in Virginia City and New York in order to deal in gold bullion. It subsequently closed these branches, but in 1905 it consolidated with the London and San Francisco Bank, an English institution with branches in San Francisco, Portland, Seattle, and Tacoma. In February, 1910, the Bank of California became a national association bringing with it, into the system, under the terms of the amendment of 1865, the three northern branches. It cannot, under the national system, add to the number of its branches and its officers testify that they are not interested in

<sup>24</sup>Hearings, p. 69.

wider extension. The branches are located in large cities in competition with other large local banks and therefore do not compete with the country banks. Moreover, its branches are given a large measure of local autonomy. The personnel of the local branches is not sent out from the head office, but is recruited locally. This institution can hardly serve, therefore, as evidence of a tendency toward interstate systems.

Comptroller Dawes expressed himself last fall as very forcibly opposed to branch banking but stated at the same time that intra-city branch banking "is not logically a part of the branch banking movement." It is not accurate, however, to limit the branch banking discussion to state-wide branch banking, although it is very desirable to analyze the arguments concerning intra-city branch banking separately from those for intercommunity branch banking.

The principal argument for city branches is the convenience of the patrons of the bank. As industrial cities develop the manufacturing enterprises find suburban locations for their plants. This tends to bring a large area within the city limits. These enterprises must of necessity do business with a large bank and usually prefer to continue their relations with a downtown bank. Much of their banking business, however, can be taken care of through a conveniently located branch. Traffic congestion in the central business area of cities is also an important reason why all forms of business, including banks, have established suburban branches.

Branches of this type can be administered from the central office and do not raise any serious questions of management. They may be able to offer to the suburban customer the facilities of a large departmental bank which has specialized facilities for conducting trust or other financial functions. The number of independent banks in a city is reduced by this practice but unit banks are not completely eliminated.

The chief objection to city branches is the danger of unnecessary multiplication of banking offices. Detroit has more banking institutions than Chicago with nearly three times the population. Los Angeles has more banking offices than present conditions warrant. The Canadian Bank of Commerce alone has thirty-seven branches in Toronto, a city of about 525,000 population. It does not generally prove feasible to avoid duplication and wasteful competition. Where city branches are permitted, banks which would prefer to restrict themselves to a limited number of strategically located branches are confronted with the actual condition of losing deposits to the bank with conveniently located branches. The sound theory of limitation upon the number of branches tends to break down in practice when confronted with this situation. The McFadden bill attempted to guard

against this danger by limiting the number of branches per bank in cities of less than 100,000. No restrictions were placed in the bill upon the number of branches in the larger cities.

The fact that twenty-five out of thirty-three cities with a population of over 200,000 in the United States have a greater or less number of city branches indicates that this type of branch banking is strongly entrenched. If the state law specifically limits the branch bank development to cities of a given size and grants adequate power to the banking commissioners to control the number of such branches, the advantages appear to lie in favor of intra-city branches. The adoption of an amendment definitely authorizing city branches of national banks instead of maintaining the present status of "additional offices" is desirable. This right should be granted only on condition the state law permits branches of state banks, the purpose being to correct the inequality existing between state and national banks.

It is upon the question of the extension of branches on an inter-community scale that the sharpest difference of opinion arises. This was the issue in practically all of the debate that occurred in the hearings on the McFadden bill. The same arguments which support city branches apply to suburban banks which are outside of the municipal limits but within the same metropolitan area. An almost insurmountable difficulty is encountered, however, in placing definite legal limitations upon the extent of area which may be included when the city limits have been passed. For this reason the laws, with the exception perhaps of Ohio, have practically recognized either intra-city branches only or state-wide branches.

The experience in the United States with state-wide branch banking since the establishment of the national banking system is very limited. Eleven states permit branch banking, but it is practiced on a considerable scale only in California. The extensive development there has practically all occurred in the past five years. The experiment cannot therefore be regarded as furnishing conclusive evidence for or against the more widespread type of branch banking. Conditions in other countries where branch banking is practiced are so dissimilar from those in the United States that those holding exactly opposite views on branch banking find support for their opinions from the experience elsewhere.

On behalf of extensive branch banking it is urged that larger loans may be made, since the loan limit of each branch is the loan limit of the entire institution. In the second place, wider diversity of risk and more facility in shifting funds to meet seasonal or local demands is possible. This tends to result in more uniformity in interest rates as well as better ability to meet the credit needs of the localities. Cen-

tralized supervision and direction by experienced bankers makes for better credit methods and control in a boom period. Finally it is held that branch banking means more safety for the depositor. No system of banking has been found which is proof against failures. Canada has had two failures in the past eleven years,—the Bank of Vancouver and the Home Bank of Canada. Both were small banks, having a total of eighty-nine branches and liabilities of \$25,615,000.<sup>18</sup> Over 1000 banks failed in the United States in the same period. Mr. Platt stated in his testimony before the House committee that 322 failures had occurred between January 1 and April 11, 1924.<sup>19</sup> California has been singularly free from failures in the post-war period but this cannot be very largely credited to branch banking. The recent failure of the Banca Italiana di Sconto with many branches in Italy illustrates anew how widespread a catastrophe the failure of a large branch system may be. The case for the greater safety of branch banking is good but it is not conclusive.

The strongest popular objection to state-wide branch banking is the fear of concentration of financial resources. There were on March 31, 1924, fifteen chartered banks in Canada.<sup>20</sup> Fifteen years earlier there were twenty-nine banks.<sup>21</sup> A similar tendency is noted in England and other British dominions. The trend appears to be inevitably in this direction. It does not follow, however, that branch banking means an absence of bank competition or the complete destruction of unit banking. Canada has more banking offices per capita than the United States and keen competition between the large branch systems. In France unit banking and branch banking exist side by side. Statistics from California indicate that in the face of an extraordinary spread of branch banking, the number of unit banks has not been reduced. The customary method of establishing an out-of-town branch in California is by purchasing an existing institution. In the five years, 1919-1923, sixty-four national banks were absorbed and became branches and in the same period sixty-five new national banks were established.<sup>22</sup> In a single year ending March 8, 1924, applications were received for 124 new unit state banks.<sup>23</sup> In the southern states where branch banking is authorized most of the banks are domiciled in towns or small cities and have an average of less than three branches to a bank.<sup>24</sup>

<sup>18</sup>*Annual Report of the Canadian Bank of Commerce, 1923, p. 33.*

<sup>19</sup>Hearings on the McFadden Bill, p. 206.

<sup>20</sup>"Return of the Chartered Banks of the Dominion of Canada," Supplement to the *Canada Gazette*, May 10, 1924.

<sup>21</sup>Johnson, *The Canadian Banking System*.

<sup>22</sup>Hearings on the McFadden Bill, p. 63.

<sup>23</sup>*Ibid.*, p. 137.

<sup>24</sup>*Ibid.*, p. 208.

The most crucial question in building up a branch system in America is the management of outlying branches. The young man who enters the service of a bank in England or Canada expects to go wherever he may be sent in the line of service. No such tradition exists among American bank employees. Moreover, the local banker in this country is looked upon as a permanent resident of the community whose interests are linked up with the growth of his institution. The branch manager on the other hand is dependent upon his ability to make a good record and thereby receive a transfer to a larger branch. The California branch systems undertake to retain as much as possible the "home bank" features by distributing stock locally, retaining the former management, creating a local advisory committee to replace the former board of directors, and recruiting their employees locally. If branch banking is to spread in the United States it must effectively meet conditions here. People are not accustomed to having all decisions as to loans made at a distant head office and will not tolerate such a situation.

The growth of branch banking in the past decade is responsible for most of the present interest in the subject. A few states in recent years have undertaken to check the movement. In some states where such prohibitory laws have been passed branch banking is unknown in practice, and in others the law was passed before the issue had attracted general public attention. Washington, for instance, amended her banking code in 1909 to prohibit branches. This was done upon the recommendation of the bank commissioner and was aimed primarily at a foreign-owned bank. Local bankers testify that the issue was not widely discussed at that time. The crucial test of the public estimate of branch banking must come in those states where branch banking is practiced. In most instances the disposition seems to be to give it a trial. If it has merit it will command public support and will probably spread into adjacent states. If it proves unsatisfactory it may be either modified to suit conditions or abandoned where tried.

The failure of Congress to pass the McFadden bill leaves the position of the national banks unsatisfactory and the status of state bank members of the federal reserve system unsettled. Congress could exclude state-wide branch banks from federal reserve membership and restrict further extension by those already members. It is doubtful however, whether congressional action could prevent branch banking by state banks. It is true that the larger branch banks are all members and they might elect to remain in and give up the opportunity of future extension, but there are far more non-member than member banks in the several states operating branches. The revised regula-

tions of the Federal Reserve Board, if effectively enforced, should prove adequate to regulate future extensions.

National banks are already operating city branches under the title of "additional offices." The right to operate regular intra-city branches, when not contrary to state law, should be definitely granted by Congress. It does not appear necessary to permit the establishment of state-wide branches even where state banks have that privilege. This form of branch banking is limited in extent and still in the experimental stage. The national banking system should not undertake to adapt itself to the laws of forty-eight states.

The branch banking agitation of recent months cannot be said to have brought about a final settlement of the issue, but it has been marked by significant developments. Branches of national banks have been held to be illegal under the present law. The attorney general has ruled that "additional offices" with limited functions are legal. Upon this authority the comptroller has promulgated definite rules governing the establishment of these offices. The Federal Reserve Board has announced its revised regulations covering branches of state bank members. Congress has considered the question but failed to pass any legislation. The question will probably be before Congress again when it reconvenes in the autumn. It is in the state banking system that the branch banking experiment is being carried on and where interesting conclusions may yet be attained owing to the wide diversity of practice under the laws of the several states.

HOWARD H. PRESTON.

*University of Washington, Seattle.*

## THE PROPOSED NEW CENTRAL GOLD BANK OF GERMANY

No part of the proposals of the so-called "Dawes Committee," which was charged with the responsibility of bringing some order out of the reparations entanglement, has greater practical significance than the proposal to establish a new central bank. The new bank is to carry a heavy burden. First, it must assume the responsibilities usually devolving upon a central institution. But it is charged beyond this with the duty of maintaining a gold-standard currency at home and with that of stabilizing such currency in the international market at a time when heavy outward payments on reparations account are being attempted. The proposed organization and conduct of such an institution have, therefore, a profound interest for the student of economics.

In endeavoring to set forth the principles of the new bank's organization and procedure, it will help matters to group relevant facts and observations under the four following heads: I, The general organization of the bank; II, The relation of the bank to German domestic economy; III, The relation of the bank to reparations payments; IV, The bank and the stabilization of the mark.

### 1. *The General Organization of the Bank*

The new bank, with its branches, is planned definitely as a German institution, organized under German law, with a charter running for fifty years, and with its head office in Berlin. Before the publication of the Dawes report, it was stated that the French would insist upon its location outside of Germany. In view of the necessary intimacy between a successful central bank and the business life of its country, establishment of the new institution within Germany was, however, practically inevitable. Nevertheless, the plan provides for a possible transfer of the metal reserve and of the office for printing notes to some neutral country.<sup>1</sup> It is also interesting to notice that while the plan suggests the possibility of creating the new bank through a reconstitution of the Reichsbank, the need for an entirely fresh start is strongly emphasized.<sup>2</sup>

The new bank is to be launched upon its career by an "organization committee," composed of the president of the Reichsbank<sup>3</sup> and one

<sup>1</sup>Annex 1 to the *Report of the First Committee of Experts*, sec. VII, par. k.

<sup>2</sup>The experts state the case as follows: "Psychological considerations seem imperatively to require an institution which should be so far new in its policy and its administration as to detach it entirely from the errors of the recent past and restore the older traditions of German banking" (part II, sec. I).

<sup>3</sup>The president of the Reichsbank is Dr. Schacht, who won the complete confidence of the experts by his ability, candor and straightforwardness.

other person who was a member of one of the committees of experts "acquainted with the discussions which resulted in the drafting of the plan for the bank." This committee is to be empowered not only to decide whether the Reichsbank is to be taken over and reconstituted, but also to frame the statutes regulating the administration of the bank.<sup>4</sup>

The broad responsibilities of the bank, both in the domestic and in the foreign field, coupled with the Allies' desire to keep in intimate touch with its administration, led the experts to devise a rather complicated form of management.

On the one hand, there is the managing board corresponding to the Direktorium of the Reichsbank, directly charged, as its name implies, with the duty of directing the bank's affairs. It fixes the rates of interest and determines the currency, discount, and credit policies of the bank. On the other hand, corresponding roughly to the Curatorium, there is a "general board" of fourteen, half of whom are Germans and the other half foreigners.<sup>5</sup> The German members are elected in accordance with German law by the stockholders of German nationality, although the original selection is to be controlled by the "organization committee." This committee also selects the first group of foreign members. Thereafter the group becomes self-perpetuating. The plan itself specifies that the foreign members shall be chosen respectively from the following nationalities: British, French, Italian, Belgian, American, Dutch, and Swiss. The "general board" has primarily only supervisory powers. At its meetings, which must be held at least once a month, it is required to examine the reports of the president and of the commissioner (two officials to whose functions reference will presently be made). The plan proposes that except as otherwise provided by the bank's statutes (framed, it will be recalled, by the organization committee) the decisions of the general board shall be by a majority vote of ten members, or by a simple majority if the president and the commissioner are included therein.<sup>6</sup> The significance of this provision is found in the fact that if three foreign members will vote with the German members such a group could control the board. In other words, the American and the two "neutral" members (Dutch and Swiss) could with the Germans outvote the Allies. The approval of the general board is necessary to validate the appointment by the president of the members of the managing board, at least six of the nine votes required for this purpose being those of the German mem-

<sup>4</sup>Annex 1 to the *Report of the First Committee of Experts*, sec. III, par. b.

<sup>5</sup>On the unanimous vote of the general board itself the number of German members may be increased.

<sup>6</sup>An absent member may, by registered letter or by telegram, authorize a colleague to act for him.

bers. Finally, it may be noted that the managing board is authorized to appoint a consultative body composed of Germans chosen from the fields of agriculture, of industry and of commerce.<sup>7</sup>

The president, already alluded to, is the managing director. It is stipulated that the first incumbent of the presidential office be the president of the Reichsbank. He is chairman of both the managing and the general boards. He must be a German and is chosen by the general board by a majority of not less than nine votes, of which at least six must be supplied by the German members. Furthermore, his appointment must be countersigned by the president of the Reich. The significance of this provision is obvious.

The commissioner, to whom reference was made above, exercises a function resembling that of the federal reserve agent. He is a foreigner. He too must be elected by a majority of not less than nine votes, and, corresponding to the provision relating to the president, at least six of the nine votes must be cast by the foreign members. His essential duty is defined as enforcing "the provisions of the law and the statutory regulations relative to the issue of notes and the maintenance of the bank's reserves which guarantee that issue." To perform this duty adequate powers of investigation, etc., are conferred upon him. In the federal reserve system the federal reserve agent practically represents the government. In the proposed German bank the commissioner substantially represents the Allies.

It will thus be observed that while the detailed management of the new bank is left in the hands of the Germans, the Allies exercise through the general board and through the commissioner a substantial supervisory control.

The capital provided for the bank totals 400,000,000 gold marks. One fourth of this goes to the Reichsbank in exchange for its assets. The remainder is to be offered for public subscription in Germany and elsewhere. Wherever sold, the shares must be paid for in gold or the equivalent. The experts were of the opinion that many Germans holding hoards of gold or foreign money, or controlling balances or investments in foreign countries, would be led to subscribe to the stock of the new bank.<sup>8</sup>

There are also provisions for the creation of a surplus. This is

<sup>7</sup>This provision recalls the Central Ausschuss of the Reichsbank and our own Federal Advisory Council. Indeed, the experts drew a number of suggestions from the Federal Reserve act.

<sup>8</sup>Annex 1 to the *Report of the First Committee of Experts*, sec. VIII, par. d.

<sup>9</sup>The *Report of the Second Committee of Experts* indicates a hoard of foreign money held in Germany of not less than one milliard, two hundred million gold marks. German holdings of balances, etc., abroad are given as not less than 5 to 7 milliard and not more than 7 to 8 milliard gold marks. The hoarded gold cannot be estimated.

related to note liabilities", a six-months average of the mid-month liabilities being taken as a basis. Combined capital and surplus are to constitute 12 per cent of these liabilities. As the capital is fixed (at least at the outset) the surplus is flexible. To make up the required percentage 20 per cent of the net profits must, if necessary, be annually set aside. The bank may use its discretion in building up a surplus above 12 per cent, but the upper limit is put at 20 per cent.

Dividends to the shareholders are fixed to begin with at 8 per cent. Earnings in excess of surplus and dividend requirements are divided between the shareholders and the German government. Foreign shareholders are exempted from all German income taxes on the dividends of their bank stock and the bank itself is exempted from all German business and corporation taxes. The real property of the bank, however, bears its share of the burden imposed upon the property of banks in general.

As a going concern and to fulfil its responsibilities, what the new bank will need most is, of course, deposits. Whence are these to come? First it may be stated that in view of authorized advances to the Reich, to the postoffice, and to the railways it is expected that government, postoffice, and railway funds will be deposited in the new bank. Next, all the funds collected on reparation account must, preliminary to transfer abroad, be deposited therein. Then, since the new bank gets the assets of the Reichsbank, whatever free gold this institution commands will be surrendered. Again, the plan of the experts provides for a foreign loan of 800 million gold marks the proceeds of which are to be deposited in the new bank. This loan is intended to finance reparation deliveries-in-kind, but these will be paid for in gold-mark credits in bank note or deposit form and not directly in gold. With a  $33\frac{1}{3}$  per cent gold reserve for bank notes and a 12 per cent reserve for deposits, it is obvious that gold-mark credits could be extended from three to eight times the total of the deposited loan proceeds. Finally, may be mentioned the deposits made by banks, by other business firms and by private individuals, German and foreign. These cannot, of course, be estimated, but it is believed by the experts that considerable sums will be forthcoming if adequate confidence in the new institution can be developed. Actual gold or funds at gold values will thus come from the free gold of the Reichsbank, from the foreign loan, and from the bank, business and individual deposits.

<sup>20</sup>Deposit liabilities are not included. This is probably due to the small importance of deposit credit in the continental banks of issue.

## 2. *The Relation of the Bank to German Domestic Economy*

Whether or not the new bank becomes simply a reconstituted Reichsbank, the fact remains that it is to be given a monopoly of note issue in Germany and such other powers of the Reichsbank as may be necessary in the opinion of the organization committee for the fulfilment of its responsibilities. In accepting the experts' plan the German government must, with the solemn approval of parliament, also enter into a special contract with the bank covering the various aspects of the bank's power and authority. All this indicates that in German domestic economy the new bank is to fulfil all those functions which were before the responsibility of the Reichsbank, and, besides that, it is to assume certain new duties relating to reparation payments.

Its chief home duty is to revivify and to sustain German credit on a gold basis through the centralization of domestic reserves and through the extension of credit in bank note and in deposit form backed by an adequate reserve percentage and by carefully selected assets. The experts' committee shows how serious were the effects on German economic life of inflation and the consequent shattering of the whole credit structure.<sup>11</sup> Despite the astronomical proportions of note issue the actual gold value of the outstanding notes at the beginning of this year was less than half that of the pre-war circulation. The situation was further complicated by the issue of sundry forms of emergency currency and by the widespread use of foreign money. The universal desire in Germany to avoid loss resulting from depreciation of the legal tender currency led inevitably to a conversion of liquid capital in monetary forms into fixed assets or better still into foreign values beyond the reach of domestic depreciation. The result was a serious dearth of liquid capital. By restoring a sound system of commercial banking, the new bank can insure the proper relation between fixed and working capital for German economic life.

**Note Issue.**—The new bank is to be given a practical monopoly of note issue.<sup>12</sup> No governmental issues of any kind are to be permitted, and existing emergency issues of one kind or another are to be redeemed. Its control over the currency is further insured by the provision that the Reich itself shall issue only standard gold coin in denominations above five marks of approximately full bullion value.<sup>13</sup> Subsidiary money of the smaller denominations must be issued through the bank, and the total is limited (as has been the case heretofore)

<sup>11</sup>Part II of the *Report of the First Committee of Experts*, sec. I.

<sup>12</sup>The original charter rights of the banks of Baden, Bavaria, Saxony and Wurtemberg are preserved but their present legal quota cannot be exceeded.

<sup>13</sup>The "approximately" leaves some leeway for seigniorage charges.

to twenty marks per capita. The notes are to be full legal tender in all payments to the government and to the bank, and to private individuals "unless otherwise specifically provided by contract."

The provisions concerning redemption of the notes are, of course, of outstanding significance. In redeeming its notes the bank is given an option of paying the par value of the sums presented in: (a) gold coin of present legal weight and fineness, (b) gold bars in denominations of 1,000 to 35,000 gold marks at their gold-coin value;<sup>18</sup> (c) demand drafts payable in gold or in "foreign currencies at current market gold values," and drawn on balances "in solvent banks to be specified by the bank's statutes."<sup>19</sup>

This last option, however, contains an interesting proviso bearing on the use of drafts drawn in foreign currencies not themselves on a gold basis. It limits the premium above mint parity charged by the bank for such drafts to "the amount necessary to cover shipping expenses, including interest for the time of transit, on gold bars shipped in substantial quantities from Berlin to the foreign financial center on which the draft is drawn." The object of this proviso is to maintain substantial gold redemption. If the bank were permitted to charge in marks a premium in excess of gold shipping charges, that would imply a discount in gold, and consequently depreciation, of the mark itself.

Believing, however, that, at the outset, the maintenance of full redemption might subject the new bank to serious pressure, the plan provides for the temporary modification of the requirement on the affirmative vote of every member but one of the organization committee, of the managing board, and of the general board. In case of such modification the bank is required to "make all possible efforts and use all the means at its disposal" in order to maintain the gold parity of the mark in the international market.

In connection with redemption of notes it may be mentioned that the notes are to be specifically payable only at the head office in Berlin. They are payable on presentation at the other offices and branches only "to the extent permitted by their cash reserves."<sup>20</sup>

<sup>18</sup>The plan specifies "at their pure gold equivalent in German gold coin." This doubtless means "metallic" and not "value" equivalent and would be of real significance if a seigniorage charge were imposed for the coinage of gold.

<sup>19</sup>These statutes, it will again be recalled, are originally framed by the organization committee.

<sup>20</sup>The notes of the Reichsbank were also specifically payable only at the head office. The federal reserve notes are redeemable in gold at the Treasury at Washington but in gold or lawful money at the reserve banks themselves. The possible refusal to pay gold at the sea-coast offices adds to the total shipping costs those connected with the movement of gold from the interior point of redemption to the coast. In other words this permits a slight elevation of the gold export point.

There are no provisions relating to the redemption in gold of deposits. Deposit liabilities may thus be paid off with bank notes, and the gold value of deposit credits is therefore contingent upon the maintenance of gold value of the notes.

*Character of Assets.*—The assets on the basis of which the bank may extend its credit are carefully prescribed. Its loans and discounts are restricted to three-months maturities. All discounted paper must carry three names of known solvency, although warrants "relating to bona-fide commercial transaction or to goods" may, as a substitute for the third name, be offered as collateral security. Paper growing out of financial transactions or secured by investment securities is strictly taboo.<sup>17</sup> Loans and advances are similarly restricted.<sup>18</sup>

To forestall the possibility of sacrificing the interests of the bank to fiscal needs, advances on public account are carefully controlled. Although the managing board may make advances to the Reich, these may not run longer than three months and the total outstanding at a given time may not exceed one hundred million marks. Furthermore, the Reich must completely liquidate its indebtedness by the end of its fiscal year. Similarly, on condition that the postoffice and the railways entrust to the bank "the whole of their treasury services," loans not to exceed a total of two hundred million gold marks to both may be made to them. Beyond this the bank may make no governmental advances, German or foreign, may not invest in governmental bonds, and the account of any German governmental unit may not even show an overdraft.

With certain restricted exceptions protecting the bank in the case of defaulted statutory loans, the bank may not buy or sell merchandise, produce, real estate or corporate shares for its own account.

*Reserve Requirements.*—Minimum reserve percentages are prescribed not only for note issues but, what is unusual in European banking, for deposits as well. The stipulated minimum for notes is 33-1/3 per cent and for deposits 12 per cent. But these minima are not "dead-line" prescriptions. On the proposal of the managing board and with the approval of the general board (all members save one voting affirmatively) the reserve requirements for note issue may be reduced. Penalties, payable to the Reich, are prescribed, however, for such reductions. The penalty is in the form of a progressive tax on the amount of reserve deficiency below the 33-1/3 per cent level. The tax runs from 3 per cent to 8 per cent per annum as the reserve goes down to 25 per cent. Thereafter the rate is

<sup>17</sup>As in the case of the federal reserve system an exception, carefully restricted, is made in favor of government securities.

<sup>18</sup>The Reichsbank enjoyed wide loan powers. Its loan policy was in practice very generous.

increased one per cent for each further one per cent diminution in the reserves. A minimum 5 per cent level is also prescribed for discount and rediscount rates when throughout a week reserves have dropped below the prescribed minimum, and to these rates must be added at least one third of any reserve-deficiency-tax that the bank is called on to pay. The tax levied on the deficiency in deposit reserves jumps from 4 to 8 per cent as reserves decline from a 10-12 per cent to an 8-10 per cent level, and thereafter the per annum rate is increased ten per cent for each further decline of one per cent in the reserves. To guarantee the liquidity of the bank's assets sustaining its deposit liabilities, there is the further unusual provision that, in addition to the 12 per cent gold reserve, the bank must hold a 30 per cent secondary reserve made up of demand deposits in Germany and abroad, and of statutory paper of a thirty-day maturity. Moreover, the required primary and secondary reserves against deposit liabilities must be definitely segregated.

*Other Domestic Functions.*—Its monopoly of note issue and the legal status of its notes insures for the bank the position of holder of the country's banking reserves. Its discount rates thus become the "official" rates and it is the final authority in control of credit. This status is exactly that which the experts intended the new bank to enjoy." Domestic clearings and transfers both for banks and for other firms and individuals will also of necessity center in the new institution. The Reichsbank had developed an effective "giro" business and the new bank would doubtless take over this business *en bloc*.

### 3. The Relation of the Bank to Reparation Payments

One of the most important parts of the experts' plan relates to the reparation payments. Not all the provisions bearing on these payments are germane to a discussion of the bank, but some of them are of the profoundest significance.

The bank is to be the depository of the reparation collections within Germany, but the account is in the name of "the agent for reparation payments." This agent controls the account, but he makes withdrawals only under the direction of a committee of five known as "the transfer committee." This committee is made up of representatives of the principal Allies. It is this committee which must assume the responsibility of effectively transferring the gold-mark reparations deposits for the benefit of the Allies and at the same time not undermine the gold value of the mark in the international market.

It is obvious that for the execution of its functions the transfer

<sup>10</sup>See part I of the text of the report, sec. VI.

committee must be in intimate touch with the bank. The plan provides for constant contact on the part of the committee with the president and with the commissioner of the bank. But more important still is the following stipulation:

The German government and the bank shall undertake to facilitate in every reasonable way within their power the work of the committee in making transfers of funds, including such steps as will aid in the control of foreign exchange. When the committee is of the opinion that the bank's discount rate is not in relation to the necessity of making important transfers, it shall inform the president of the bank.<sup>20</sup>

Apparently, should it be necessary, in the combined interest of reparations payments and of the stability of the mark, the bank may obtain a virtual monopoly of the foreign exchange business. On the other hand, when it is recalled how powerfully an effective official discount rate may influence the foreign exchanges, it will be seen that, unless circumstances develop very favorably for German international finance, the transfer committee will be constantly tempted to exert pressure in favor of relatively high discount rates.

In directing payments to be made out of the account of the agent for reparations payments, the transfer committee is practically the representative of the Reparation Commission. The program of payments is formulated by the commission, but whether the actual withdrawals are to be made or not the transfer committee must decide. Under the plan reparation payments within Germany for deliveries in kind or for payments on allied account, or outside of Germany in foreign values, are to be made only "to the extent to which, in the judgment of the committee, the foreign exchange market will permit, without threatening the stability of the German currency."<sup>21</sup>

Should transfers on reparation account endanger the stability of the mark, the committee simply allows the deposit balance of the agent for reparation payments to grow. Yet the bank may limit the amount that it will so carry on deposit. If this limit be exceeded, the surplus is to be invested within Germany until the combined balance and investment total five milliard gold marks. Thereafter the collection of reparations within Germany is limited to the sums that can be transferred.

One further point needs attention in this place. Foreseeing the possibility of concerted action to prevent reparation transfers, the experts' plan authorizes the transfer committee to take whatever action may be necessary to defeat such tactics. In these circumstances the committee may, by a two thirds vote, suspend the limit

<sup>20</sup>Annex 6 to the *Report of the First Committee of Experts*, sec. VII.

<sup>21</sup>*Ibid.*, sec. IV.

imposed by the plan upon the total reparations accumulation within Germany.

#### 4. *The Bank and the Stabilization of the Mark*

The primary object which the experts' committee had in view in planning the new bank was, of course, the stabilization of the currency. As already indicated, the experts' plan provides for the reestablishment of the gold standard. During the period of the bank's fifty-year charter the Reich government itself may issue only standard gold coins, all the subsidiary coinage being issued through the bank. This means that the bank itself will pay for the subsidiary money on a gold basis, and it will in consequence purchase from the government only so much as is required to meet the country's need for small change. As the notes of the bank itself are redeemable in gold, or in gold values, all the money of the country is directly or indirectly tied to gold and the domestic requirements of a successful gold standard may be said to have been provided.<sup>22</sup>

An immediate practical question that the new bank will have to face is that of the withdrawal of the hodge-podge of currency now circulating in Germany, and the substitution for it of its own currency. Some of the current instruments of payment like the *Rentenmark*, the dollar treasury bonds and the so-called "gold-loan" bonds, offer no serious problems of valuation and of procedure. The *Reichsmarks* and the various forms of *Notgeld* present some troublesome questions. But with the details of these matters, we are here not greatly concerned. Much of the responsibility devolves upon the German government itself, and in this connection the plan provides that the government shall enter into a special contract with the bank for the fulfilment of its part of the undertaking.<sup>23</sup>

It will be observed that the scheme of gold stabilization planned by the experts' committee does not rest upon any single method of applying the gold standard. Should the German government adopt an unrestricted gold standard by providing for the free and unlimited coinage of gold, then it would be possible for the new bank to pay out German gold coin to domestic note-holders whatever use they proposed to make of such coin. On the other hand, irrespective of what the German government might do in this direction, the other two

<sup>22</sup>The plan does not require the Reich to provide for the free coinage of gold. It may be that for some time no provision will be made for gold coinage. As long, however, as the value of the bank note currency is kept at a gold value in the international market the actual coinage of gold is not essential. The point is that the money of the country is definitely held at a fixed value in gold.

<sup>23</sup>It is interesting to note that the plan provides for the redemption of the Reich's marks at the rate of 1,000,000,000,000 to one new gold mark. The old continentals have been superseded!

options open to the bank of redeeming its notes in gold bars or in foreign exchange on a gold basis, enable it to determine whether in practice Germany shall really have a restricted gold standard or a gold-exchange standard. These two types of gold standard rest on the theory that as long as the value of the domestic currency (however composed) is kept at a fixed parity in gold there is no legitimate monetary reason for redemption in gold for purely domestic purposes. Redemption is merely a method of insuring such value. Furthermore, in the absence of redemption for purely domestic purposes, and with its provision only in the foreign exchange market, there is implied the assumption that any influence affecting the status of the currency, arising at home or abroad, will show itself in the foreign exchange market, and that the steps taken to insure a fixed gold value in that market will suffice to insure such value throughout the whole monetary field.

The third option, however, applies the theory of the gold-exchange standard in a way in which it has never yet been applied. Thus far the gold-exchange standard has been applied by linking the money of a given country with that of another country definitely on a gold standard.<sup>24</sup> But under the third option the bank may supply exchange drafts on *any* country, whether the latter be on a gold basis or not, as long as it supplies such drafts at their current gold value.<sup>25</sup> Thus there may develop the anomalous situation of a money being kept at a fixed value in gold without any direct redemption in gold at all and with redemption in irredeemable paper currencies themselves at a discount in terms of gold.<sup>26</sup>

In the exercise of this option the new bank appears to run the risk of speculative changes in the gold value of its balances in countries with depreciated currencies. The plan provides, however, that such part of its foreign balances as the bank wishes to count as a part of its required reserves must be "in the form of demand deposits made payable in gold or its equivalent *at the rates at which the deposits were made.*"<sup>27</sup>

<sup>24</sup>See, for example, Kemmerer's excellent study, *Modern Currency Reforms*.

<sup>25</sup>In practice the bank would, of course, consult the wishes of its client as to the foreign currency to be employed in drawing the exchange drafts. As long as the drafts must in any case be supplied on the basis of current gold values, the possibility of arbitrage transactions makes it a matter of practical indifference to the bank what form of currency its client wishes to have employed. Actual practice in the market is sure to limit the range of the client's choice.

<sup>26</sup>It is reasonable to expect that the third option will in practice be of the greatest importance. Gold reserves at home afford only the returns implied in the basing of credit upon them. But gold balances abroad are not only available for reserve purposes but draw interest as well.

<sup>27</sup>Italics mine. Quotation from Annex 1 to the *Report of the First Committee of Experts*, sec. XIII, par. d.

This would throw on the depository bank the risk of exchange fluctuation which would doubtless be assumed by such bank only as a result of a special agreement.<sup>28</sup>

The experts recognized, of course, that, despite the ingenious system of redemption options which they worked out, stabilization of the mark in the international market could be insured by the new bank only if it were in position to control foreign exchange rates. Hence the significance of the stipulation already referred to requiring the German government to take whatever steps may be necessary to aid in the bank's control of the foreign exchanges.<sup>29</sup> With the final control of domestic credit extension in its own hands, and with the foundation laid for its domination of the foreign exchange market, the new bank should be able to extract the utmost from German industry and trade in the interest of a stabilized currency.

Were there space it would be interesting to venture a little further afield and to discuss certain tempting questions of policy. Should gold or gold-exchange redemption be resolutely insisted upon at the outset, despite the experts' doubt as to its immediate feasibility? Should a vigorous policy of maximum transfers be initiated and pursued by the transfer committee? These and other questions suggest themselves to the economic student. But, if the Dawes plan is adopted and the new bank is put into operation, such questions can be discussed in the light of actual experience.

E. E. AGGER.

*Columbia University.*

<sup>28</sup>Owing to the possibility of "hedging" purchases or sales the practical risks involved in such a situation are not great. Cf. B. M. Anderson, Jr., *The Report of the Dawes Committee*, p. 12.

<sup>29</sup>Annex 6 to the *Report of the First Committee of Experts*, sec. VII.

## THE REVENUE ACT OF 1924

The Federal Revenue act approved June 2, 1924, is not a revolutionary measure; on the contrary, it is very similar in general character to the Revenue act of 1921. The chief features in both of these measures are reductions in the rates of federal internal taxes which reached their maximum in the Revenue act of 1918. It will be recalled that even the act of 1918 provided for reductions in the normal income and profits taxes on incomes received in 1919 and subsequent years. The act of 1921 lowered the surtaxes on incomes, repealed the excess-profits, transportation and some other taxes, and made numerous other provisions favorable to the taxpayers. The latest act carries the reduction of income and excise taxes still further, but does not even approximate the pre-war level of rates. Unlike the first revenue measure passed after the adoption of the sixteenth amendment but like most of the later acts, the Revenue act of 1924 has nothing to do with the customs tariff but confines itself to internal revenues, devoting by far the most consideration to the income tax.<sup>1</sup>

Before taking up a longer consideration of the main contests provoked by the revenue proposals of different interests it may be of aid to the reader to give a preliminary summary of the chief features of the new law and also to make a brief general survey of the course of developments from the time revision was proposed until the law was enacted.

### OUTSTANDING FEATURES OF THE 1924 ACT

1. Rebates or refunds of 25 per cent of the taxes levied upon individual incomes received in 1923 are allowed taxpayers making returns required by the Revenue act of 1921 (that is, upon taxes payable in 1924).

2. The surtax begins at 1 per cent upon the bracket of net income between \$10,000 and \$14,000 and increases till it reaches a maximum of 40 per cent upon incomes in excess of \$500,000. Under existing law the surtax began at 1 per cent upon the bracket of net income between \$6,000 and \$10,000 and reached a maximum of 50 per cent upon income in excess of \$200,000.

3. Normal income tax rates are 2 per cent upon the first \$4,000 of net income, 4 per cent upon the next \$4,000, and 6 per cent upon the excess above \$8,000. Under the 1918 and 1921 laws the rates were 4 per cent upon the first \$4,000 and 8 per cent upon the remainder.

4. The personal exemption for a married couple, or head of a family, is \$2,500 and no return is required if the net income is less

<sup>1</sup>The Revenue act of 1921 is discussed in the *AMERICAN ECONOMIC REVIEW* for March, 1922, and the Revenue act of 1918 in the issue for June, 1919. The 1913, 1916, and 1917 acts are discussed in the issues of March, 1914; December, 1916; and December, 1917, respectively.

than this amount. Under existing law the corresponding personal exemption was \$2,500 if the net income did not exceed \$5,000 but if it was in excess of this sum the exemption was reduced to \$2,000 and, in any case, a return had to be made if the net income exceeded \$2,000, whether any tax was payable or not. The exemption of \$1,000 for single persons was not changed.

5. "Earned" incomes of individuals are to be taxed 25 per cent less than other incomes. The whole of net incomes of \$5,000 and less are to be considered "earned," but in cases of larger income \$10,000 is the maximum that may be considered as "earned." Previous federal revenue acts made no differentiation in favor of "earned" income.

6. Capital net losses are not permitted to reduce income taxes by more than  $12\frac{1}{2}$  per cent of such losses, and the deduction for discovery depletion is limited to 50 per cent of the net income from the property depleted.

7. The corporation income tax rate remains unchanged at  $12\frac{1}{2}$  per cent, despite a hard fight upon it. The capital stock tax of \$1 per \$1,000 is unchanged also.

8. The estate tax begins at 1 per cent upon the "net estate" not in excess of \$50,000 and rises to 40 per cent upon the excess above \$10,000,000. Under the two previous acts the minimum rate was 1 per cent and the maximum 25 per cent.

9. The gift tax, with the same rates and with approximately the same exemptions and other provisions that apply to the estate tax, is a new feature.

10. The prevention of evasions, legal and illegal, is attempted in sections dealing with the organization and reorganization of corporations, the accumulation of undistributed earnings, the formation of trusts, the making of gifts and the selling of property for less than fair value.

11. A Board of Tax Appeals, independent of the Treasury Department, is provided for the unbiased consideration of disputed income and estate taxes. The Committee on Appeals under the existing law was under the Bureau of Internal Revenue.

12. Limited publicity of taxes and returns is provided. Returns are to be open to the Ways and Means Committee and the Finance Committee and the Commissioner is to publish the name of each person making a return, together with the amount of income tax paid. Hearings before the Board of Tax Appeals are to be open to the public as are the records of the board. These publicity provisions are new; the old provisions relative to access to the returns are practically unchanged otherwise.

13. Numerous excise taxes are reduced or repealed. Among the taxes repealed are those on telephone and telegraph messages, candy,

soft drinks, inexpensive jewelry, certain sporting and traveling goods, certain furnishings and fixtures, admissions costing 50 cents or less, truck chassis sold for \$1,000 or less, automobile truck and wagon bodies sold for \$200 or less, and stamp taxes on promissory notes. Taxes upon tires, inner tubes and accessories, except when sold to manufacturers, are reduced from 5 per cent to  $2\frac{1}{2}$  per cent, but taxes upon automobiles other than those mentioned above are not changed. The heavy taxes upon tobacco and manufactures thereof are unchanged.

#### CAREER OF THE REVENUE BILL

*Secretary Mellon's Proposals.* On November 10, 1923, about a month before the organization of the Sixty-eighth Congress, Mr. Mellon, Secretary of the Treasury, addressed to Mr. Green, acting chairman of the Ways and Means Committee, a communication which, as the Secretary said, "expressed the considered recommendations of the Treasury for a reduction of taxes and for a reestablishment of a more sound economic policy for the country." He stated that each of the two preceding fiscal years had closed with a surplus of over \$300,000,000 after providing for the sinking fund, and that the next four or five years should show similar surpluses if reasonable economy was practiced. He stated, however, that many of the internal-revenue

#### BUDGET SUMMARY<sup>2</sup>

(Exclusive of postal revenues and postal expenditures paid from postal revenues)

	Estimated, 1925	Estimated, 1924	Actual, 1923
Total receipts	\$3,693,762,078	\$3,894,677,712	\$4,007,135,480
Total expenditures (including reduction of the public debt required by law to be made from ordinary profits)	3,298,080,444	3,565,038,088	3,697,478,020
Excess of receipts	395,681,634	329,639,624	309,657,460

taxes, particularly the higher brackets of the surtax, were becoming unproductive and should be reduced not only to increase the ultimate tax yield but also to promote business and to check "extravagance and reckless expenditure on the part of local authorities." "The alternative [to surtax reduction] is a gradual breakdown in the system and a perversion of industry that stifles our progress as a nation."

Besides this main recommendation that maximum surtax rates on

<sup>2</sup>*Annual Report of the Secretary of the Treasury, 1923, pp. 6 ff.*

<sup>3</sup>*The Budget, 1925, p. v.*

individual incomes should be reduced from 50 per cent to 25 per cent, Mr. Mellon made eleven other recommendations:

1. Make a 25 per cent reduction in the tax on earned income.
2. Make a 25 per cent reduction in the normal income tax rates.
3. Reduce the surtax rates by commencing their application at \$10,000 instead of \$6,000, and scaling them progressively upward to 25 per cent at \$100,000.
4. Limit the deduction of capital losses to 12½ per cent of the loss.
5. Limit the deductions from gross income for interest paid during the year and for losses not of a business character to the amount the sum of these items exceeds tax-exempt income of the taxpayers.
6. Tax community property income to the spouse having control of the income.
7. Repeal the tax on telegrams, telephones, and leased wires.
8. Repeal the tax on admissions.
9. Revise or repeal miscellaneous nuisance taxes.
10. Strengthen the act so as to prevent tax evasion.
11. Establish a Board of Tax Appeals in the Treasury but independent of the Bureau of Internal Revenue, to hear and determine cases involving the assessment of internal-revenue taxes.
12. Amend the law to simplify administration, to make the law more easily understood and to permit prompt determination of liability in a manner more satisfactory to the taxpayer.

Tax-exempt securities were incidentally condemned but not discussed at length in this letter to Mr. Green.

"A soldiers' bonus would postpone tax reduction not for one but for many years to come" was a statement of Mr. Mellon's closing paragraph.

The estate tax was not mentioned in this letter but the Secretary recommended its reduction in his *Annual Report*<sup>4</sup> immediately following the reprint of the letter.

Secretary Mellon gave the following estimate of the effects of his proposals upon the federal revenues as compared with results if the law of 1921 remained unchanged:<sup>5</sup>

	Decrease (in millions of dollars)	Increase (in millions of dollars)
Reduction of 25 per cent in tax on earned income	97	
Reduction in normal tax	92	
Readjustment of surtax rates	102	
Capital loss limited to 12½ per cent		25
Interest and capital loss deductions limited		35
Community property amendment		8
Repeal of telegraph and telephone tax	30	
Repeal of admission tax	70	
Total	391	68
Net loss	68	323

<sup>4</sup>P. 12.

<sup>5</sup>*Annual Report*, 1923, p. 10.

President Coolidge, in his Annual Message and upon later occasions gave "unqualified approval" to the Mellon plan of tax revision.\*

*The Bill in the House.* A tax revision bill embodying the Mellon proposals, except for minor changes, was reported by Chairman Green of the Ways and Means Committee to the House of Representatives February 11, 1924. Insurgent Republicans and other so-called radicals in the House had joined with Democrats in holding up the organization of that body when Congress first assembled in December. By their obstructive tactics they secured a change in the rules which allowed greater freedom of amendment to bills upon the floor of the House. They now proceeded to take advantage of their opportunity to propose amendments. Although administration forces insisted on the Mellon plan, such leaders as Mr. Green and Mr. Longworth saw that it would be impossible to make the 50 per cent reduction in the surtax as recommended by the Secretary. This reduction of surtax rates was the outstanding contested issue in the long-drawn-out fight over revenue revision, though there were several other controversial issues, also. Although chairman of the committee sponsoring the bill, Mr. Green frankly stated that he was in favor of higher surtaxes than the Mellon rates, and Mr. Longworth, leader of the Republicans in the House, believing it was impossible to secure the approval of such low rates, maneuvered to secure the adoption of the highest maximum that could muster a majority vote.

It was reported on February 15 that Republican House leaders would not attempt to obtain a vote on the 25 per cent surtax maximum, but that they had definitely agreed to make a stand for 35 per cent.<sup>1</sup> They indicated that if routed they would gradually yield upward, perhaps to 37, then to 40 per cent if necessary, in an effort to command a majority. The next day, Republican insurgents offered to compromise with organization leaders on a 40 per cent surtax maximum provided normal income tax rates were cut in half. After several conferences, Mr. Longworth declared he was flatly opposed to such decrease as it would alter fundamental principles of the Mellon bill.<sup>2</sup> In an effort to break the deadlock in negotiations with the insurgents, the House Republican leaders on the two following days decided to increase the maximum surtax rate to 37½ per cent, but without success.

The next day, February 19, the House sitting in committee of the

\**New York Times*, Dec. 7, 1923, p. 4. See the *New York Times Index* for other references.

<sup>1</sup>*Commercial and Financial Chronicle*, Feb. 23, 1924, pp. 864 and 865.

<sup>2</sup>He later agreed to these rates after they had been recommended by the Conference Committee of House and Senate and congratulated the House upon its restored leadership, although the rates were put in the bill by the Senate. See *Cong. Record*, May 26, 1924, p. 9788.

whole, adopted by a vote of 221 to 196 the Garner (Democratic) substitute. Sixteen insurgent Republicans, one Independent and one Farmer-Labor member voted with the Democrats. The Garner surtax maximum was 44 per cent upon incomes in excess of \$92,000. His normal rates were 2 per cent on net incomes of \$5,000 and under, 4 per cent from \$5,000 to \$10,000, and 6 per cent upon amounts in excess of \$10,000. His proposed personal exemptions were \$2,000 for single persons and \$3,000 for heads of families. Republicans claimed that the Garner bill would result in a deficit of \$300,000,000, while the Democratic estimate was that it would reduce revenues by only \$49,000,000 more than the Mellon plan.<sup>9</sup>

On February 29 the House voted, 216 to 199, to accept the Longworth compromise proposal which fixed the maximum surtax rate at 37½ per cent on incomes over \$200,000. The Garner normal income tax rates were approved, but the personal exemptions of the existing law were retained. One amendment approved provided for increasing estate tax rates to a maximum of 40 per cent, instead of 25 per cent as under existing law, and another amendment provided for a gift tax with similar rates. Still another amendment provided for the inspection of tax returns by the Ways and Means, the Finance, and special congressional committees. A rebate of 25 per cent of taxes payable on individual incomes received in 1923 was approved without much discussion, but a resolution making this effective before March 15, when the first instalment was due, failed to pass.

*The Bill in the Senate.* The bill was formally reported to the Senate March 1 and referred to the Finance Committee. President Coolidge reaffirmed his adherence to the Mellon plan and was reported as hoping that the Finance Committee would report that plan despite the action of the House.<sup>10</sup> Treasury actuaries estimated that the House bill would produce \$446,000,000 less revenue than the existing law and Chairman Smoot of the Finance Committee said the bill would have to be remodeled in order to prevent a deficit of at least \$100,000,000, even if no bonus or extra appropriation measures were passed. Secretary Mellon attacked the House bill, particularly the surtax, estate tax and gift tax rates, as well as the provision permitting congressional committees to have access to the returns.

By a strict party vote of 8 to 7 the Senate Finance Committee on March 24 decided to substitute the Mellon income tax rate schedule for the Longworth compromise provisions adopted by the House. On April 8 Chairman Smoot of this committee reported its bill to the Senate.<sup>11</sup> Besides restoring the Mellon surtax rates, the committee

<sup>9</sup>68 Cong., 1 Sess., House Report 179, p. 85.

<sup>10</sup>*Commercial and Financial Chronicle*, March 8, 1924, p. 1095.

<sup>11</sup>*Commercial and Financial Chronicle*, April 12, 1924, pp. 1735, 1736.

ESTIMATED REVENUE, CALENDAR YEAR 1925. REVENUE ACT OF 1924.<sup>1</sup>  
As agreed to in Conference.

Source	Present law (Act of 1921)	1924 Act	Loss
Income tax:			
Individual—			
Normal	\$ 391,000,000	\$ 256,000,000	\$135,000,000
Surtax	541,000,000	382,000,000	159,000,000
Earned income	.....(L)	60,000,000	60,000,000
Capital gains	.....(L)	10,000,000	10,000,000
Capital losses	.....	25,000,000	25,000,000(G)
Increased pers. exemptions	.....(L)	15,000,000	15,000,000
Corporation tax	875,000,000	875,000,000	.....
	1,807,000,000	1,453,000,000	354,000,000
Miscellaneous internal revenue:			
Corporation stock tax	85,000,000	85,000,000	.....
Estate tax	110,000,000	122,000,000	12,000,000(G)
Gift tax	.....	2,000,000	2,000,000(G)
Telegraph and telephone	34,000,000	.....	34,000,000
Beverages	10,000,000	.....	10,000,000
Admissions and dues	85,000,000	52,000,000	33,000,000
Automobiles, etc.:			
Trucks and bodies	11,000,000	6,000,000	5,000,000
Tires, tubes, parts, accessories, etc.	42,000,000	22,000,000	20,000,000
Other autos	105,000,000	105,000,000	.....
Smokers' articles	400,000	399,000	1,000
Candy	13,000,000	.....	13,000,000
Knives, dirks, daggers, etc.	30,000	.....	30,000
Liveries, livery boots, etc.	140,000	.....	140,000
Hunting, shooting and riding garments	180,000	.....	180,000
Yachts and motor boats (sale)	319,000	.....	319,000
Carpets, rugs, etc.	1,800,000	.....	1,800,000
Jewelry, etc.	22,000,000	11,000,000	11,000,000
Stamp taxes:			
Sale of produce on exchanges	8,000,000	4,000,000	4,000,000
Drafts, promissory notes, etc.	2,150,000	2,150,000	.....
Playing cards	3,500,000	4,200,000	700,000(G)
Bonds, transfers, stock issues, etc.	52,350,000	52,350,000	.....
Theaters, circuses, shows, etc.	1,600,000	.....	1,600,000
Yachts (use)	215,000	215,000	.....
Billiard and pool tables, bowling alleys, etc.	1,050,000	1,050,000	.....
Coin-operated machines, etc.	150,000	300,000	150,000(G)
Brokers—stock, produce and merchandise	1,400,000	1,000,000	400,000
Mah Jong	.....	1,000,000	1,000,000(G)
Statuary, sculpture, paintings, etc.	750,000	750,000	.....
Miscellaneous internal revenue taxes, not enumerated above	341,750,000	341,750,000	.....
Total miscellaneous internal revenue taxes	932,784,000	814,164,000	118,620,000
Total revenue under act	2,739,784,000	2,267,164,000	.....
Loss from present law	.....	.....	472,620,000
House bill, loss	.....	.....	445,720,000
Senate bill, loss	.....	.....	557,120,000
Conference bill gain over Senate bill	.....	.....	84,500,000
Conference bill loss over House bill	.....	.....	26,900,000

<sup>1</sup>This estimate was kindly furnished by Mr. Joseph S. McCoy, Treasury Actuary, who made it for the Conference Committee immediately after the agreement of this committee upon the Revenue act of 1924.  
(G) Gain. (L) Loss.

bill struck out the increased estate taxes and the gift tax which the House bill had added to the Mellon plan. Strange to say, the committee accepted the publicity provision of the House bill with slight change and even added an amendment making provision for the publication of the income tax paid by, and refunds made to, each person. The committee bill departed from the House bill and the Mellon plan, also, in dropping the capital tax on corporations and increasing the existing corporation income tax from 12½ per cent to 14 per cent. It accepted the proposal of the House to have the president appoint the members of the Board of Tax Appeals and to keep it independent of the Treasury Department in lieu of Secretary Mellon's suggestion.

Senator Simmons, ranking minority member of the Finance Committee, submitted a Democratic plan in the form of amendments. He estimated that it would raise \$3,000,000 more than the committee's plan.

The Senate Republican leaders pursued much the same tactics with reference to income tax rates as had the House leaders, though the former were less persistent, probably because they were more experienced and more aware of their limitations. With less than usual debate in the Senate—the dates for the national conventions and the hoped-for adjournment of Congress were not far distant—the insurgents and other radicals joining with the Democrats forced the adoption of the Simmons normal and surtax rates, the increased rates of the House bill on estates and gifts, a graduated tax reaching a maximum of 40 per cent upon the upper brackets of corporation incomes, and the opening of tax returns to full publicity.

The last two amendments mentioned above were especially obnoxious to the administration and were eliminated by the Conference Committee. The Conference Report was promptly adopted by both houses of Congress and approved by the President. The outstanding features of the new law as thus enacted have already been summarized near the beginning of this article.

#### CHIEF CONTESTED ISSUES

It will be impossible to discuss many features of the Revenue act of 1924 in great detail. In fact, the details of succeeding revenue laws are becoming so numerous that it seems best in the present instance to confine most of the discussion to a few important changes and attempted changes. As already indicated, the most persistent and general fight was over the surtax rates. The contest over normal income tax rates was significant, but not very spirited. Taxes upon corporations, estates and gifts provoked real contests, as did the public-

ity proposals. Few of the other proposals occasioned much debate upon the floor of either House or Senate.

*The Surtax and Tax-Exempt Securities.* The arguments for the radical reduction in maximum surtax rates were very similar to those which have been employed by Secretary Mellon and his predecessors for several years past. In the main it is claimed that existing high surtaxes force capital into tax-exempt securities with the consequence that there are insufficient funds available for railroads, building, and private enterprises of all kinds. States, municipalities, school districts and other public bodies which are permitted to issue tax-exempt securities are encouraged to engage in extravagant and reckless expenditures; private initiative and enterprise are stifled; the productivity of taxes, especially of surtaxes, is reduced; the undermining of the whole income tax system is imminent; and the progress of the nation is threatened. To substantiate his statement that "the sources of taxation are drying up; wealth is failing to carry its share of the tax burden; and capital is being diverted into channels which yield neither revenue to the government nor profit to the people,"<sup>12</sup> Secretary Mellon presented the following table:<sup>13</sup>

DECLINE OF TAXABLE INCOMES OVER \$300,000.

Year	Number of returns		Net income		Dividends and interest on investments	
	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000
1916	437,036	1,296	\$ 6,298,577,620	\$992,972,986	\$3,217,348,030	\$706,945,738
1917	3,472,890	1,015	13,652,383,207	731,372,153	3,785,557,955	616,119,892
1918	4,425,114	627	15,924,639,355	401,107,868	3,872,234,935	344,111,461
1919	5,332,760	679	19,859,491,448	440,011,589	3,954,553,925	314,984,884
1920	7,251,944	395	23,735,629,183	246,354,585	4,445,147,223	229,052,039
1921	6,662,176	246	19,577,212,528	153,534,305	4,167,291,294	155,370,228

In a book by Secretary Mellon,<sup>14</sup> published during the fight over the revenue bill, he explains how he arrived at the figure 25 per cent as the proper maximum surtax. Under existing law, a maximum surtax of 50 per cent plus a normal tax of 8 per cent required that the receivers of the largest incomes find business investments yielding 11 per cent in order to net them as much as tax-exempt investments yielding 4½ per cent. With these rates reduced to 25 per cent and

<sup>12</sup>Andrew W. Mellon, *Taxation: The People's Business*, p. 13.

<sup>13</sup>*Annual Report*, 1923, p. 12. According to data made public by the Treasury after the enactment of the law and, also, after the writing of this article, there were, in 1922, 537 persons reporting incomes of over \$300,000 each, the total income of all amounting to \$365,729,746, of which \$242,499,524 was derived from dividends and interest. These figures are rather contradictory of the Secretary's main thesis.

<sup>14</sup>*Taxation: The People's Business*, pp. 80-23.

6 per cent respectively, as he proposed, 6½ per cent business investments would net the same as 4½ per cent tax-exempt securities. Inasmuch as few sound 11 per cent investments exist, it is necessary to reduce taxes so that those with large incomes can find sound and profitable "productive" investments, otherwise they will continue increasingly to turn to the "unproductive" tax-free field which is being rapidly enlarged by the issues of state and local governments.

Senator Couzens of Michigan was among the first to launch a public attack upon Secretary Mellon's plan. In a letter to the Secretary dated December 20, 1923,<sup>1</sup> Senator Couzens said that proposals of such a drastic cut in the surtaxes on incomes popularly considered as most capable of bearing taxation should be accompanied by more conclusive evidence than had been submitted in the Secretary's *Annual Report* or in his letter to Chairman Green. He contended that in neither place had the Secretary shown the actual amount of surtax collected, and furthermore that he had made no allowance for the fact that 1921 was a year of severe depression, and that he had given no figures or estimates for 1922 or 1923. Among other things, he asked the Secretary to furnish Congress with data showing the relative amounts of tax-exempt securities and other investments held by receivers of large incomes, and the entire amount of outstanding tax-exempt securities and their estimated maximum possible effect on the surtax return.

In his reply of January 2, 1924, Secretary Mellon stated that there are approximately \$11,000,000,000 of wholly tax-exempt securities outstanding and it is estimated that the loss of revenue to the government is over \$200,000,000 annually, or over \$400,000,000 as compared with taxes on a similar investment in "productive business." The Secretary stated that income statistics for 1921 are the latest available and that collections of surtaxes had been as follows:<sup>2</sup>

Year	Total surtax	Surtax on income in excess of \$300,000	Percentage of total of those in excess of \$300,000
1916 <sup>3</sup>	\$121,946,136	\$ 81,404,194	66.8
1917	433,345,732	201,937,975	46.5
1918	651,289,027	220,218,131	33.8
1919	801,525,303	243,601,410	30.4
1920	596,803,767	134,709,112	22.6
1921	411,327,684	84,797,344	20.6

<sup>1</sup>1916 was a year of low surtax rates.

<sup>2</sup>For the Couzens-Mellon controversy see *Cong. Record*, Jan. 14, 1924, pp. 969-972 and Jan. 21, 1924, pp. 1227-1231.

<sup>3</sup>*Cong. Record*, Jan. 14, 1924, p. 970.

The Secretary said that the inheritance tax unit of the Internal Revenue Bureau had selected 21 returns filed in 1921 "taken at random" from among estates of from \$1,000,000 up, to show the proportion of tax-exempt securities to other holdings. The percentage of wholly tax-exempt securities to total gross estates for 1923 was thus estimated at 28.97 and compared with similar percentages for previous years was stated as follows:<sup>11</sup>

Year	Wholly tax exempt to net estate	Wholly tax exempt to total stocks and bonds
1917	2.21	3.26
1918	4.27	6.66
1919	5.30	7.87
1920	9.79	14.50
1921	8.97	13.30
1922	6.82	10.53
1923	28.97	41.98

Senator Couzens replying, stated that the last table was not made up of typical cases, that the figures for 1923 were "quite ridiculous" and in support of this statement cited 1920 data from the Secretary's *Annual Report* for 1923. On the basis of these he calculated that all individuals reporting held less than 2½ billion dollars of tax-exempt securities in that year, that the interest received from these securities by persons having incomes in excess of \$50,000 was only about \$53,062,000 and that they probably escaped surtaxes of not over \$16,000,000 as compared with a total surtax of \$596,803,000 paid in 1920.<sup>12</sup> From the Bureau of Internal Revenue's *Statistics of Income* it appears that in 1921 at least \$4,442,000,000 of tax-exempt securities were owned by corporations, leaving approximately 6½ billion dollars in the hands of individuals. It has been estimated<sup>13</sup> that about half of these were scattered among small holders not subject to the surtax and probably not over 1½ billion dollars were held by those who were in the \$300,000 income class in 1916. In any case, when we consider all tax-exempt securities as compared with the total of other securities and of other investments, it is evident that the amount of surtax loss to the government to date has been greatly exaggerated in the public prints.

Senator Couzens claims that the high surtax, instead of curtailing business expansion or initiative, "rather insures it." He cites the "flood of money for all successful or necessary development purposes,"

<sup>11</sup>*Cong. Record*, Jan. 14, 1924, p. 970.

<sup>12</sup>*Cong. Record*, Jan. 14, 1924, p. 972.

<sup>13</sup>See *New Republic*, Jan. 23, 1924, p. 221.

for the motor industry, building, etc. Huge corporate surpluses subject to a flat income tax of only 12½ per cent are devoted to expansion rather than being distributed with liability to high surtax rates in the hands of wealthy stockholders. If the surtax were lowered, more surpluses would be distributed in the form of dividends and industry might have smaller funds for expansion.

Senator Couzens objected, also, to the Secretary's implication that public expenditures are not productive but wasteful. He said in part:<sup>20</sup>

Municipalities, if they are to live, must have funds from some source. You make the statement that the investment in state and municipal bonds creates a progressive diversion of wealth from productive to unproductive business. Do you contend that it is less productive to invest money in thousands of schoolhouses, to invest money in waterworks, lighting plants, street railway plants, good roads, colleges, etc., and for sewerage and other sanitation and health-serving institutions, such as hospitals, than it is in theatres, office buildings, moving-picture houses, ball parks, distilleries, breweries, chewing gum and cosmetic factories, etc.? Does not the money paid for these municipal and governmental activities go to labor, to cement and material manufacturers, and to manufacturers of all kinds of things used in this work? Why is the use of capital in the construction of highways and other things I have mentioned not as productive as that used in private industry? Is it not a fact there is no scarcity of capital for productive activities? Is it not a fact that the American Telephone and Telegraph Company's recent issue was greatly oversubscribed? Is it not a fact that many millions of dollars were loaned to foreign countries last year?

On June 6, the day before Congress adjourned and four days after the President had approved the Revenue act, the Federal Trade Commission submitted to the Senate a report on *Taxation and Tax-Exempt Securities* pursuant to a resolution introduced by Senator Norris of Nebraska. Following is a quotation relevant to the above discussion:<sup>21</sup>

Based upon returns from several thousand individuals with incomes ranging from \$10,000 to and in excess of a million dollars, the commission estimates that in 1922 out of a total of approximately 32 billions of wholly or partially tax-free securities, federal, state and local, four and one half billions were owned by the wealthy individuals. On the same basis business corporations owned nearly 12 billions, while \$16,770,000,000 were held by all others, consisting principally of individuals of smaller incomes.

The tax-exempt interest received during 1922 by individuals whose taxable incomes exceeded \$10,000 each is estimated at nearly \$176,000,000. Of this over \$97,000,000 was wholly tax free and over \$78,000,000 was conditionally subject to surtax. The maximum tax on this interest, had it been taxable at the 1922 rate, would have been about \$58,000,000.

All the interest received from these securities in 1922 by business corporations estimated at \$448,000,000 was wholly tax free under the exist-

<sup>20</sup>*Cong. Record*, Jan. 14, 1924, p. 972.

<sup>21</sup>*Commercial and Financial Chronicle*, June 7, 1924, p. 2778.

ing law. Banks and trust companies held nearly \$5,600,000,000 of the securities and received \$236,000,000 of the interest. Insurance companies owned over \$2,200,000,000 of the securities and received nearly \$92,000,000 of tax-free interest in 1922. Had all this interest been taxable at  $12\frac{1}{2}$  per cent (the tax rate for corporations in 1922) the revenue therefrom would have been about \$44,500,000.

The total maximum addition to the income tax, under 1922 tax rates, through the taxation of securities now exempt by law, would be approximately \$100,000,000. The exemptions now made regarding Liberty bonds and certain other federal obligations rest on inviolable promises, which, however, will not apply, to a large extent, after a few years.

Between 1912 and 1922 the aggregate net debt of the United States, the states, and the local governments increased more than sixfold, and was nearly 32 billions of dollars in the latter year. The national debt increased from about a billion to over 22 billions, while state and local government debts combined increased from less than 4 billions to nearly 9 billions. The enormous increase in the national debt was due, of course, almost wholly to the war and its immediate consequences. The major portion of the increases in the debts of the state governments was for highway construction and soldiers' bonus bonds. The bonded debts of cities are estimated to have increased 32 per cent between 1917 and 1922; the chief purposes being to provide facilities for public health, transportation and education.

Following is a statement of the Secretary of the Treasury published January 10, 1924, of the distribution of wholly tax-exempt bonds outstanding:<sup>22</sup>

Issued by	Grand amount	Amount held in Treasury or sinking funds and trust funds	Amount held outside of Treasury and sinking funds and trust funds
States, counties, cities, etc.	\$11,036,000,000	\$1,500,000,000	\$9,536,000,000
United States government	2,294,000,000	752,000,000	1,542,000,000
Federal land banks, intermediate credit banks, and joint-stock land banks	1,228,000,000	105,000,000	1,123,000,000
Insular possessions	112,000,000	3,000,000	109,000,000
Total			12,310,000,000

In this connection perhaps it should be stated that the greater part, about \$18,000,000,000, of the United States war issues are not wholly but only partially exempt from taxation. Nearly all of them except the first Liberty loan, are subject to surtaxes, but none are subject to normal taxes. Inasmuch as corporations are not subject to surtaxes they can hold any amount of federal, state and local government securities without paying federal taxes upon them. This

<sup>22</sup>Cited in speech of Senator A. A. Jones of New Mexico, *Cong. Record*, April 28, 1924.

is one explanation for their large holdings, and consequently for smaller holdings by individuals having large incomes.

In the previous session of Congress the House passed a resolution submitting to the states for their ratification a proposed amendment to the Constitution permitting the taxation of securities that are now exempt. The Senate failed to take action, so a similar resolution was introduced in the House during the recent session. It gave permission for the federal government to tax income from the securities issued by states and their subdivisions as well as for states to tax income from securities issued by the national government, provided that neither jurisdiction discriminated against the securities of the other. In view of the inclusive language of the sixteenth amendment, "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived . . . .," it was argued by some that no additional constitutional amendment is necessary to abolish tax-exempt securities, at least, future issues of such. In answer to this claim, Chairman Green presented to the House a report<sup>26</sup> containing among other things a summary of Supreme Court decisions prepared by Mr. Gregg, assistant to the Secretary of the Treasury. Apparently the most pertinent point in these decisions relative to the question in hand was that "the genesis and words of the amendment unite in showing that it does not extend the taxing power to new and excepted subjects, but merely removes all occasion otherwise existing for apportionment among the states of taxes laid on income, whether derived from one source or another."<sup>27</sup>

The submission of such an amendment had been urged by President Harding and later by President Coolidge and Secretary Mellon. Although passed by the House during the previous session, in the last session it lacked seven votes of the required two thirds. Most of the votes against it were Democratic. There was fear that state and local units would find it too costly to borrow or have their sovereignty curtailed otherwise.

After this resolution was lost there were numerous attempts to amend the revenue bill in such a manner as to tax the favored securities in one way or another, either directly or indirectly. For example, the House bill provided that "the deduction for interest for indebtedness (except indebtedness incurred in connection with the trade or business of the taxpayer) and the deduction for non-business losses should be allowed as deductions in computing net income only, if and to the extent that the sum of these amounts exceeds the income of the taxpayer from tax-exempt securities."<sup>28</sup> The Conference Com-

<sup>26</sup>68 Cong., 1 Sess., House Report no. 30.

<sup>27</sup>Evans v. Gore (1920), 253 U. S. 245.

<sup>28</sup>Conference Report of House Managers.

mittee rejected this provision. All other similar proposals were killed before they got so far.

*Corporation Taxes and Surtax Evasion.* Besides Senator Couzens, Senators Jones of New Mexico, Simmons of North Carolina and Walsh of Massachusetts, and Representatives Garner of Texas and Frear of Wisconsin were among the other leaders of the attack upon the Mellon proposals. They all charged the Secretary with attempts at reducing taxes upon the rich more than upon those with moderate incomes and they also belittled the Secretary's claims about tax-exempt securities. Senator Jones, speaking for the minority, had an entirely different explanation for the decline in the surtax yields. He laid it chiefly to investments in corporations which failed to distribute their surplus earnings. The flat corporation income tax of  $12\frac{1}{2}$  per cent is approximately the rate paid by an individual with a net income of \$32,000. He stated that any individual having an income in excess of that could incorporate and thus escape higher surtaxes, or invest his funds in the stocks of corporations that accumulate their earnings instead of distributing them in dividends. He cited a prominent Detroit automobile company which made profits in excess of \$100,000,000 a year and yet never paid dividends in excess of 60 per cent upon a capital of \$2,000,000, that is, \$1,200,000, thus legally evading taxes of \$35,000,000; also, a certain Pittsburgh trust company with a capital of  $1\frac{1}{2}$  million dollars and a surplus of  $36\frac{1}{2}$  million dollars which pays no surtaxes.

In January Senator Jones called upon the Treasury Department through a Senate resolution for information relative to corporate earnings, dividend payments and undistributed earnings. A total of 109,313 corporations made returns in 1923 upon 1922 incomes. The total net taxable income reported was  $6\frac{1}{2}$  billion dollars and total cash dividends paid 3 billion dollars. Stock dividends were slightly less, but they are not taxable. Of 78,923 corporations making complete returns,<sup>28</sup> 30,048 showing net taxable income of \$896,254,485, and having accumulated surpluses totaling \$3,954,966,686 paid no dividends whatever. The other 48,875 corporations distributed portions of their taxable net incomes varying from over 90 per cent to less than 10 per cent and had accumulated undistributed surpluses and profits of 15 billion dollars. Here, rather than in tax-exempt securities, is the chief evil of tax evasion, according to Senator Jones.

In criticizing Senator Smoot and Secretary Mellon for using returns for 1921, a year of depression, as a basis for concluding that sur-

<sup>28</sup>Returns showing schedules incompletely filled out, data fragmentary excepting the item of net income, 29,688 corporations. 68 Cong., 1 Sess., Senate Report 398, part 2, p. 10.

taxes are unproductive and injurious to business, Senator Jones stated that corporations reported net incomes of only a little over \$4,000,000,000 for that year, as compared with \$6,578,000,000 for 1922 and \$8,500,000,000 to \$9,000,000,000 for 1923.<sup>7</sup>

Section 220 of the existing revenue act provided that if a corporation was formed or availed of for the purpose of enabling its stockholders to evade the surtax, it should pay an additional tax of 25 per cent of its income. The fact that any corporation was a mere holding company, or that gains and profits were permitted to accumulate beyond the reasonable needs of the business was *prima facie* evidence of a purpose to escape the surtax. The secretary had stated that this was an ineffective provision because of the difficulty of interpreting intentions and "reasonable needs," particularly in the case of investment companies to whose needs there might be no limits. Senator Smoot proposed to remedy the matter by inserting "or investment" after the word "holding," and raising the penalty from 25 per cent to 50 per cent. As a matter of fact, the section as finally enacted contained exactly these changes.

But Senator Jones pooh-poohed the suggestion that such changes would stop the loophole and proposed a graduated tax upon corporations instead of the flat rate of 12½ per cent under existing law, or 14 per cent as proposed by the Finance Committee. His amendment provided for a normal tax of 9 per cent and additional rates beginning at ¼ of one per cent upon undistributed earnings above 10 per cent, and advancing to 40 per cent upon undistributed earnings above 60 per cent. It should be noted that this graduation was based upon percentages of earnings and not upon percentages of capital invested and hence avoided the great administrative difficulty which the earlier excess-profits tax had involved. The Senator estimated that besides eliminating much evasion which the Secretary erroneously laid to tax-exempt securities, his amendment would raise as much revenue as the proposed flat tax of 14 per cent; furthermore, that under it, all corporations which distribute in dividends more than 30 per cent of their net income would pay less in taxes than under the 14 per cent proposed. On the basis of 1922 returns, smaller taxes would be paid by 80.4 per cent of all corporations making complete returns and paying any dividends at all than would be the case under the committee's proposal. This Jones amendment was adopted by the Senate on May 7 by a vote of 42 to 32, 6 Republicans and 2 Farmer-Labor members joining the Democrats. It was later eliminated, however, by the Conference Committee, whose recommendations were enacted.

With reference to the corporation income tax, it has already been

<sup>7</sup>*Cong. Record*, April 24, 1924, p. 7265. The figures for 1923 are estimates by the Treasury actuary.

mentioned that the Finance Committee proposed a flat rate of 14 per cent instead of the existing flat rate of 12½ per cent plus a capital stock tax of 1 per \$1,000 of invested capital. This was not one of Secretary Mellon's recommendations and was upheld by the majority members of the committee on the ground that: "This will add only slightly, if at all, to the tax burden on corporations, will apportion the burden more equitably among the different corporations, will relieve corporations from the necessity of preparing two returns upon entirely different bases and will greatly simplify the work of the Treasury Department in auditing returns."<sup>28</sup> In the debate the capital stock tax was upheld as proper on a franchise to do business and also as furnishing data valuable in the administration of estate and other taxes, as well as for other purposes. Senator Smoot stated that every corporation making less than 6-2/3 per cent would be benefited by the committee's amendment, while corporations making more would have to pay more. For example, the United States Steel Corporation would have to pay some \$500,000 more, but he did not think it would complain very much as it would avoid the expense of an additional return.<sup>29</sup> On the other hand, it was attacked as being inequitable in that it was especially burdensome to corporations making small profits or sustaining net losses; furthermore, a flat rather than a graduated tax upon income, while more equitable than a flat tax upon capital stock, was declared to be contrary to the principle of ability to pay, even when applied to corporations. Representative Frear even proposed the re-imposition of an excess-profits tax, but this was defeated, 157 to 74,<sup>30</sup> as was Representative Garner's proposal to tax stock dividends. Despite these contests, in the end, the main taxes upon corporations were left as in the existing law.

*Estate and Gift Taxes.* The addition of higher rates upon estates and the introduction of a new tax upon gifts was almost, if not fully, as objectionable in principle to administration leaders as were the Democratic proposals relative to surtaxes and corporation taxes. They would not affect immediate revenues nor business, however, quite so much and, on the other hand, they would not affect nearly so many voters. Consequently, the contest over them was not so persistent in Congress nor was it so well supported by the press of the country. Of the various attempts to change the estate tax to an inheritance tax, the proposal of Senator Walsh of Massachusetts was accepted by Senator Smoot and approved by the Senate, though it was later rejected by the Conference Committee. This amendment provided for a tax on the inheritance of each heir, rather than on the estate of

<sup>28</sup>68 Cong., 1 Sess., Senate Report 398, part 1, p. 7.

<sup>29</sup>Cong. Record, April 28, 1924, pp. 7527 ff.

<sup>30</sup>Commercial and Financial Chronicle, March 1, 1924, p. 959.

each decedent, beginning at 1 per cent on \$25,000 and ascending to 30 per cent on the excess above \$5,000,000. A similar gift tax was approved also.

Neither Secretary Mellon nor President Coolidge minced words in condemning inheritance and estate taxes, especially federal estate taxes. Their main contentions, which are not new, are that such taxes involve the destruction of capital for current purposes; that they are insignificant to the federal government but of much importance to states; that the collection of high rates means double confiscation, first by depression of values when large estates are liquidated, and second by virtue of the unreasonable proportion exacted by the government; furthermore, that wholesale evasion cannot be prevented. It is obvious that not all of these objections are consistent among themselves. In his "veto statement," issued at the time of his reluctant signing of the revenue bill, the President said he considered it advisable to call a conference of the taxing authorities of the states and the Treasury before the next session of Congress, to give consideration to some comprehensive plan of division of this field of taxation.<sup>21</sup>

The new law contains a provision that offsets to some extent the increase in maximum rates. A credit upon the estate tax is allowed for state taxes upon estates or inheritances to a maximum of 25 per cent of the federal tax. It will be recalled that an exemption of \$50,000 is granted in arriving at taxable "net estate" and a similar exemption is allowed each year for the determination of the sum of taxable gifts. Gifts not in excess of \$500 to any one person are exempted also. In other words a person may avoid the gift tax by confining his separate donations to sums of \$500 or less and keeping the aggregate of others in any one year down to \$50,000. He may, thus evade the inheritance tax also, though the law attempts to catch transfers made in contemplation of death, whether gifts, or sales at less than true value.

*Publicity.* The proposals providing publicity of income tax returns were more bitterly opposed perhaps, than any others. All of the income tax laws beginning with that of 1913 provide for the publication of income tax statistics in such a way as not to disclose the facts regarding individual cases, and corporation returns have been subject to the inspection of the officials of states having income taxes. On February 22, the House adopted by a vote of 158 to 100 an amendment making the returns subject to inspection by certain congressional committees, and it also adopted another amendment intended to open corporation tax returns to the inspection of state officials re-

<sup>21</sup>*Commercial and Financial Chronicle*, May 15, 1924, p. 1220; April 5, 1924, p. 1615; and June 7, 1924, p. 2775.

gardless of the imposition of a state income tax. A proposal of Representative Frear to make returns open to inspection by any one under the rules governing other public records was defeated by a vote of 158 to 80. Besides the above-mentioned amendments which the House approved, it provided also that names and addresses of those making returns should be made public. Despite several assaults, these provisions were retained in the bill as sent to the Senate.

Secretary Mellon appeared before the Senate Finance Committee on March 12 and 13 and said that he had no objection to the submission of returns to proper congressional committees in executive session, but that they should be not discussed in public, or published in the *Congressional Record*. The Finance Committee did not change the House provisions very materially, but Senators Norris of Nebraska and McKellar of Tennessee proposed more radical amendments, which the Senate approved. The Senate bill as it went to conference provided that returns upon which the tax had been determined by the commissioner should constitute public records and be open to examination and inspection as other public records. This provision brought forth unusually severe condemnation by administration leaders and others, and it was rejected by the Conference Committee. Secretary Mellon said that the other publicity amendments would result in "leaks," so that the conference provisions were just as objectionable as full publicity. Representative Longworth did not share the anxiety of the Secretary, saying that while there would be some abuses, they would be rare and the permitted inspections would aid Congress greatly in legislation."

The publicity of tax adjudications was also contested. Controverted cases are very numerous and constitute a large part of the work of the Treasury, but under existing practice all these adjudications are made in secret. The minority of the Finance Committee charged that, "An opportunity is afforded for favoritism, arbitrary action, fraud, and collusion. That such opportunity has been used is evidenced by the fact that more than 500 employees have been discharged from the Internal Revenue Service because of their having been guilty of one or more of these offenses. The majority proposes that all records and proceedings of the Internal Revenue Bureau shall remain secret as in the past. To the minority it seems inconceivable that any controversy existing between the government and a taxpayer should be adjudicated and finally determined in a star chamber proceeding." This protest was heeded in establishing the new Board of Tax Appeals.

*"Commercial and Financial Chronicle*, March 1, 8, 15, April 5, 26, and May 24, 1924, pp. 959, 1095, 1220, 1615, 1988, 2526.

*"68 Cong., 1 Sess., Senate Report 398, part 2, p. 12.*

*Board of Tax Appeals.* It will be recalled that Secretary Mellon's plan proposed a Board of Tax Appeals in the Treasury but independent of the Bureau of Internal Revenue to take the place of the latter's Committee on Appeals and Review. The House bill provided for such a board except that it was to be independent not only of the Bureau of Internal Revenue but also of the Treasury, the members were to be appointed not by the Secretary but by the President with senatorial confirmation. The Senate accepted this change. The arguments for the new board are well stated by the Senate Finance Committee:<sup>34</sup>

The bill provides for the establishment of a Board of Tax Appeals to which a taxpayer may appeal prior to the payment of an additional assessment of income, excess-profits, war-profits, or estate taxes. Although under the existing law a taxpayer may, after payment of his tax, bring suit for the recovery thereof and thus secure a judicial determination on the questions involved, he cannot, in view of section 3224 of the Revised Statutes, which prohibits suits to enjoin the collection of taxes, secure such a determination prior to the payment of the tax. The right of appeal after payment of the tax is an incomplete remedy, and does little to remove the hardship occasioned by an incorrect assessment. The payment of a large additional tax on income received several years previous and which may have, since its receipt, been either wiped out by subsequent losses, invested in non-liquid assets, or spent, sometimes forces taxpayers into bankruptcy, and often causes great financial hardship and sacrifice. These results are not remedied by permitting the taxpayer to sue for the recovery of the tax after this payment. He is entitled to an appeal and to a determination of his liability for the tax prior to its payment.

Under the existing law a taxpayer prior to the payment of his tax may appeal to the commissioner, who has established the Committee on Appeals and Review, to determine these appeals for him. The objections that have been raised to this procedure are four: (1) The appeal is from the action of the Bureau of Internal Revenue but is taken to a committee in and a part of the bureau. It is urged that such an appeal does not involve a review by an impartial outside body, such as the taxpayer is entitled to prior to payment of the tax. (2) In the hearing on the appeal the person who is to decide the appeal acts both as advocate and judge, since he must both protect the interests of the government and decide the questions involved. Such conditions do not insure an impartial determination of the case. (3) If the decision on the appeal is in favor of the government, the taxpayer has the right to test the correctness of the decision in the courts, but if the decision is in favor of the taxpayer, the action of the bureau is final and the correctness of the decision can never be tested in the courts. It is contended that this condition results in the decision of most doubtful points in favor of the government. (4) The taxpayer is usually forced to come to Washington for the hearing on his appeal, an expensive and burdensome procedure.

Under the provisions of the proposed bill creating a Board of Tax Appeals the taxpayer may, prior to the payment of the additional assessment of income, war-profits, excess-profits or estate taxes, appeal to the Board of Tax

<sup>34</sup>*Ibid.*, part 1, pp. 8, 9.

Appeals and secure an impartial and disinterested determination of the issues involved. In the consideration of the appeal both the government and the taxpayer will appear before the board to present their cases, with the result that each member of the board will sit solely as judge and not as both judge and advocate. The provision allowing the commissioner to sue in court for the recovery of any taxes thought by him to be due in excess of that decided by the board to be due relieves the board from the responsibility of finally passing upon questions involving large amounts, and removes the necessity for a decision in favor of the government in order to force the issues into court. The divisions of the board will sit locally throughout the United States to enable taxpayers to argue their cases with as little inconvenience and expense as is practicable. This proposal meets all the objections that have been raised as to the existing system and at the same time provides for a flexible and informal procedure which will permit the board to determine expeditiously the cases brought before it on appeal.

As approved, for the first two years the board is to consist of 28 members, and thereafter of 7 members whose normal term of office will be 10 years. Salaries were reduced from \$10,000, as proposed in the Mellon plan, to \$7,500, the same as that for congressmen. As indicated above, the bill was amended on the floor of the Senate to provide that hearings before the board and its divisions should be public, and that the proceedings should be conducted in accordance with such rules of evidence and procedure as the board may prescribe. Findings of fact and the decision in each case are to be recorded. If the amount of tax in controversy exceeds \$10,000, the oral testimony shall be reduced to writing and made public records. Reports of the board are to be published by the Government Printing Office in such form and manner as may be best adapted to public use, and subject to sale as other public documents. In other words, there is a thoroughgoing revolution in the matter of publicity of adjudications.

Representative Mills of New York criticized severely two points regarding the Board of Appeals sections. He said that the Senate amendment changed an administrative body which sat informally into a court of record. It now takes, he said four or five years to decide a case; under the new law it will take ten years with all the provisions for open hearings, records, and the requirement of three members to give a decision. "Instead of improving administrative machinery, you have wrecked it." He said a public hearing was a club to make a taxpayer stand an arbitrary assessment; an invasion of privacy unjustified by any public good.<sup>30</sup>

Besides the major contests discussed above there were numerous minor contests, only a few of which can be mentioned here. One of special interest relates to "earned" income.

*Earned Income.* No opposition, apparently, was made to the prin-

<sup>30</sup>Cong. Record, May 26, 1924, pp. 9783-4.

ciple of differentiation in favor of "earned" income. The Senate reduced the House limit of \$20,000 to \$10,000 as the maximum upon which any individual could secure the "earned-income" tax reduction. But the minority members of the Finance Committee claimed that the majority's proposal contained a "joker" which favored the rich. Senator Smoot denied this but admitted that because of higher surtax rates, a man with a large income would get a greater reduction than a man with a smaller one, even though both had equal "earned" incomes. An amendment from the floor of the Senate was finally enacted providing that, in making the differentiation for earned income, the reduction should be calculated as if the earned income were the only income of the taxpayer. This met the "joker" charge.

*Capital Losses.* The Revenue act of 1921 made a distinction between ordinary income and capital gain (appreciation in the value of capital assets) as well as between ordinary losses and capital losses. It provided for a maximum tax of  $12\frac{1}{2}$  per cent upon capital gains that otherwise might have been taxed at the upper rates of the surtaxes in cases of receivers of large incomes. Secretary Mellon stated that he believed it was sounder taxation policy generally not to recognize either capital gain or capital loss, but so long as our law does recognize these categories he recommended that gains and losses be placed upon the same basis by limiting the reduction in taxes due to capital losses to  $12\frac{1}{2}$  per cent of the loss. The House accepted his suggestion; the Finance Committee struck it out, but it was finally enacted. The capital gain provision was also changed so that it is more just to those of small incomes having capital gains.

*Trusts and Tax Evasion.* It has been claimed that one of the most flagrant avenues of evasion of the income tax has been through the creation of trusts. The new law provides that where a grantor reserves the right to change a trust in favor of himself the income shall be taxed to him. If the trustee has the discretion to distribute the income of the trust or not, then the beneficiary is taxed if the income is distributed, otherwise the trustee pays the tax.

Most of the other important changes have already been mentioned in the preliminary summary or otherwise, and lack of space prevents lengthier discussion or even the enumeration of matters of more or less importance.

#### COMMENTS

Obviously, opinions relative to the recent revenue legislation which can be given herein must be brief and consequently appear dogmatic. It must be admitted, too, that in some cases they can hardly be otherwise than personal opinions, in view of our inadequate data and experience with income and inheritance taxes; in fact, many matters

regarding these taxes probably always will occasion substantial differences among economists and bitter contests between those more peculiarly affected. Furthermore, it is almost impossible to escape the charge of bias. There is, however, hope of gradually accumulating information and experience that will enable us to narrow the area of disputed points.

Some of the disputed questions about maximum surtax rates are: Do they cause declining business prosperity and decreasing yields of government revenue? Do they force investment funds into tax-exempt securities, depriving enterprises of sufficient capital and causing municipal extravagance? Are they evaded by the formation and reorganization of corporations and the piling up of undistributed surpluses, also by the formation of trusts? Are present rates threatening the destruction of the entire progressive income tax system? Does the new law provide remedies? What are proper surtax rates?

Though exhaustive study might show otherwise, from the sifting of the very unsatisfactory data that it has been possible to consider in the preparation of this article, it appears that: Surtax yields have decreased, at least up to the depression year of 1921. The Secretary did not appear overly anxious to furnish adequate data for later years not yet published and what he did furnish was challenged by Senator Couzens as being misleading. Examination of this data makes the charge seem plausible. No convincing data were submitted proving that the high surtax rates cause general business depression. There seems to be little correlation between the business cycle and the changes in these tax rates.

High taxes undoubtedly force some funds into tax-exempt securities, and, while this is an evil and a growing one which should be checked, it has been greatly exaggerated. Fewer tax-exempt securities are held by rich individuals and more are held by corporations than is generally known; the apparent and actual loss in revenue to the government occasioned by such securities is less than commonly supposed and really a very small part of the total. The extravagance thus caused on the part of local government units issuing tax-exempt securities has probably been much exaggerated and the implication by the Secretary and others that business investments are productive, whereas expenditures by governments are unproductive harks back to an old and common fallacy.

The formation, organization, and reorganization of corporations and of trusts have undoubtedly been encouraged and availed of to escape the high surtaxes as has, also, the accumulation of undistributed corporate earnings. Probably more taxes have escaped the

<sup>\*\*\*</sup>"Trusts" in the original sense, not as used when we speak of the present Steel or Sugar Trusts.

government collectors through these latter methods than through the investment in tax-exempt securities. Much of this evasion has been legal or semi-legal, even if contrary to the intention of the majority of Congress. The surtax maximum is still high enough to make evasion seem worth while to many and it appears quite doubtful if the provisions of the new law will decrease it greatly. The maximum rate would probably have to be cut to zero before stilling the energetic ingenuity of some legal minds searching for holes, and even then the mere game of it might continue to lead them on. A practical maximum, one that can be almost universally enforced, must be one that not only appeals to the payers as somewhere near just, but must also have some closer relation to the rates upon corporations in which they can invest. To give up annually to the government 73 or 58 or even 31 per cent of the upper brackets of one's income will not in the near future appear just to more than a very few except those who are not subject to such rates. To square equity with expediency is a knotty problem. It is evident that a low flat rate on corporations is inconsistent administratively with a high surtax upon individuals, whereas graduated rates upon corporate profits are inconsistent with equity as between the "poor widow" and the rich stockholder. It probably is not administratively feasible to allot each year to each individual stockholder his exact share of profit or loss to add to income from other sources so that the proper rates of surtax for each individual may be determined. Unless this can be done, equity cannot be obtained. But practical finance has to deal with things as they are, to make the most equitable compromises that are expedient and, as things are, it appears that a flat tax on corporations is less equitable, little less difficult to administer and far more conducive to evasion of the individual surtax than a graduated tax upon earnings such as that proposed by Mr. Jones and approved by the Senate. An excess-profits tax would be even more equitable, if feasible, and our experience is not conclusive proof that a practical one cannot be framed. We abandoned our excess-profits tax only after having gone through the most difficult period of acquiring perhaps the larger part of the data and experience necessary to administer it. The condemnation of it, as of the government railroad administration, may or may not have been justified, but it was about equally unreasoning—or perhaps they were both well reasoned—and at the behest of the same powerful interests with the use of almost unlimited propaganda. But the enforcement of such a tax, as of other measures, depends somewhat upon a sympathetic, as well as upon a capable, administration. This would be true even if rates were moderate and designed to raise no more revenue in the aggregate than the flat rate now imposed.

In passing it may be suggested that the last word has not yet been said relative to the incidence and effects of income and inheritance taxes. The summary statement that this or that tax can or cannot be shifted, even when supported by the reasoning common in economic texts, often presents a very partial and short-sighted estimate of the actual or possible results. Despite the great amount of reiterated fallacy emanating from official and unofficial sources, the enormous propaganda of the last few years has contained a few grains of fact and suggestion that may justify the theorist in reconsidering some old conclusions.

Another question that might be raised is, what is the use of having normal tax rates—three normal tax rates, or four, if one counts the corporation taxes—in addition to a schedule of surtax rates? Why not have an equivalent single progressive schedule of rates upon individual incomes? Of course, due allowances should still be made in determining what is proper taxable net income subject to this schedule, and incomes from corporate sources might demand special consideration here. When we first adopted the 1913 income tax with its stoppage-at-the source feature, somewhat in imitation of the British practice, there was some excuse for a normal rate, but we have long since abandoned that device and the justification for retaining such a rate—complicated fourfold—does not hold, unless it be that we want to follow the characteristic British reason for retaining many things that can be explained or justified now only on the ground of custom.

Though differentiation in favor of "earned" incomes is desirable, it would be much more important if exemptions were lower and especially if state and local revenues were raised by income taxes. In as much as the large local revenues are secured mainly through property taxes, we already have a large measure of differentiation. Furthermore, estate and inheritance taxes provide still heavier differentiation against property, or in favor of "earned" incomes. Our high customs duties and excise offset this to some extent.

The limitation of capital-loss deductions to 12½ per cent on the ground that capital losses are thereby treated like capital gains, as recommended by Secretary Mellon, may be consistent with his theory that our law should not recognize either capital losses or capital gains. This is the British practice for the most part. But this theory is not consistent with sound accounting practice nor with other features of our law. The handling of inventories, depreciation and other losses and gains is not in harmony with this theory, nor is the exclusion of corporations from the new limitation as to capital-loss deductions. Under this new provision an individual may be liable to pay an income tax although his losses during the taxable year exceed the

amount of his income. If a person has a net income, the government is not supposed to take all of it but only a part; if he sustains a net loss the government does not make good all or even a part of it; to require him to pay an income tax even in some such cases seems inconsistent and inequitable.

The main trouble about handling capital gains and losses properly is administrative. Often they accumulate over a series of years but are realized in one year. To tax them as of that year means an undue raising or lowering of surtaxes for those affected by the maximum rates. To determine the portion of the appreciation or depreciation each year as it occurs, as should be done from an equitable and theoretical point of view, is often quite difficult; to wait till the loss or gain is actually realized and then reopen returns in order properly to distribute it over past years and recalculate the proper taxes for each year would be an endless task and break down the machinery of administration. The limitation of the tax on individual capital gains to  $12\frac{1}{2}$  per cent is a sort of rough and ready guess at the average of high and low rates that should properly apply to them but consistency does not require that capital-loss deductions shall be limited either to  $12\frac{1}{2}$  per cent or to the amount of capital gains. Part of this inconsistency is recognized in the new law where it removes an old requirement which sometimes resulted in a taxpayer with a small ordinary income and a small capital gain paying an unduly high rate on his capital gain. In general it seems that capital gains and losses, both individual and corporate, should be treated on the basis of sound accounting practice, so far as administratively feasible. Part of the criticisms relative to the taxing of "unearned increments" would also be met in this way.

The maximum rates of the estate taxes are probably not quite so objectionable as the same rates upon incomes. But there are several important points in addition to the matter of maximum rates that seem to have been considered only casually or not at all. Among these are: whether rates should be based upon entire estates of decedents or upon separate shares of beneficiaries; in the latter case, whether degree of relationship should affect rates and exemptions; whether such taxes should be relegated entirely to the states or, if not, what relation should be maintained between federal and state taxes; whether the proceeds of such taxes should be used for current expenses or for trust funds, capital outlays, debt redemption, or otherwise. To discuss these matters here seems impractical, but attention may be called to Professor Seligman's suggestion of federal administration with a distribution of all or part of collections to the states. The limitation of the use of such taxes for "permanent" rather than for current purposes is more or less of a psychological device, but perhaps

justifiable withal under certain conditions. The gift tax seems a consistent corollary of the estate tax. Some evasion will be thus prevented; much will not. But some distributions in anticipation of death or for other reasons are by many considered preferable to distribution after death. At any rate, in view of the exemptions, most of us will not suffer very much directly and immediately, however much we may suffer ultimately as a result of these "socialistic" assaults.

The publicity provisions of the new law should be a distinct improvement. The statements of a former secretary relative to the hundreds and thousands of per cent profit made by certain coal companies and other facts or alleged facts that are known and believed should be available for investigation by legislators. Of course, such privileges open opportunities for great abuse by demagogues but under the limitations of the law it seems unlikely that such abuses will be so great as those permitted by the lack of publicity. It is more likely that business secrets will be divulged in the hearings before the Board of Tax Appeals than by members of congressional committees; some injustice may be done, but it is a question of alternative evils. On the whole, the amount of publicity provided for, at least as an experiment, seems better than the old limitations or, on the other hand, than opening all returns fully to the entire public. Experience will indicate proper future modifications.

The establishment of an independent Board of Tax Appeals, substantially upon the grounds advocated by the Finance Committee and given in the body of this article, is in conformity with British practice and a distinct step in advance.

In general the changes in excises are not unreasonable, even though one might criticize some individual cases if space were available.

One of the most questionable and important provisions of the law that went practically unchallenged is the rebating of taxes on individual incomes received in 1923.<sup>27</sup> The rebate of 25 per cent aggregates \$232,750,000. The obvious and proper use of the Treasury surplus is debt reduction. The principal arguments against high income and surtaxes, their flight to tax-exempt securities and their injury to business, do not apply to taxes already provided for and in many cases already actually paid. The damage they did, if any, was already done. Reserves, plans for extensions, etc., had long since been made. These taxes had not been assessed upon those having net losses, but represented a contribution from net income. Presumably

<sup>27</sup>It is probable that some things have been overlooked but a reading of most of the debates and many accounts has revealed only one protest and that a very brief one by Representative Howard of Nebraska. (*Cong. Record*, May 26, 1914, p. 9784.) Nowhere else in the great amount of press news and propaganda has there been noticed a reference to any objection to this rebating.

those paying them could best afford to pay. Handing back 25 per cent of them is somewhat like a man distributing gifts to his friends least in need instead of paying his honest debts. A large part of the surplus was due to the high customs tariff which brought in nearly twice as much revenue as originally estimated. Those paying these heavy taxes and increased domestic prices due to them receive no rebate under this scheme unless they are also income tax payers.

The interest on the public debt is nearly a billion dollars a year, the largest single item of federal expenditures. This amount is greater than the total net expenditure for all purposes prior to the war. Every dollar of principal that is paid reduces taxes, not merely for one but for many years. Maturities and even prices upon the open market have been unusually favorable for debt redemption, more favorable than they have generally been in past decades, and experience indicates that they are likely to become less favorable in the future for long-time maturities. Another important consideration is that with a changing tax system, such as is forecast by the efforts that resulted in the passing of the acts of 1921 and 1924, the burden of paying the debt is being shifted. It is not likely that we shall ever get back to the pre-war system of raising all federal revenues by consumption taxes—tariffs and excises—but the changes of the past three years in the tariff and the revenue laws show a rapid reversal in that direction. Despite the long-time merits and demerits of the different kinds of taxes, it seems probable that the sooner the war debts are paid the sooner the major portion of the burden will be borne by those suffering least from the war and most able to bear the burden.

The Secretary is to be commended for protesting against the postponement of debt payment in order to facilitate further tax reduction.<sup>22</sup> This apparently indicates a reversal since he issued, in 1922, Treasury bonds running 30 years and irredeemable under 25 years—and at the high interest rate of  $4\frac{1}{4}$  per cent. That issue seems indefensible and it is to be hoped that such unnecessary terms will not be resorted to again. Rather, should maturities be kept flexible, interest reasonable, and surpluses applied to redemption as fast as possible. The latter has already been done to a considerable extent, for which due credit should be given.

Political issues of one kind or another and the clashes of different interests were unusually prominent during the consideration of this revenue measure. The administration had a smaller majority in each branch of Congress than when the 1921 act was passed. Because of the inclination of the insurgent Republicans and other radicals to side against the regular Republicans and with the Democrats,

<sup>22</sup>*Commercial and Financial Chronicle*, Mar. 15, 1924, p. 1221. See also, Mr. Mellon's book, *Taxation: The People's Business*, p. 30.

we had the unusual spectacle of seeing the administration lose its own bill and be forced to adopt a measure substantially as dictated by its opponents.

It is not often that the Secretary of the Treasury plans a revenue measure in such detail and in advance of the meeting of Congress, as was done in this instance. The outstanding preceding case is that of Secretary Walker and the tariff measure of 1846. Nor is it often that revenue measures have such powerful and organized propaganda behind them as the last two revisions have had.

The bonus bill and the tax bill were under consideration at the same time and the fate of each one seemed to hang on the fate of the other. Secretary Mellon, supported by the President, administration friends, and the press made it apparently plain to all that tax reduction could not be had if a bonus bill was passed. The friends of the bonus charged Mr. Mellon with leading the opposition to it and in turn Mr. Mellon charged them, and the Democrats and insurgents in particular, with playing politics. The Senate minority in its report went so far as to present the number of individuals in each state who would be benefited more by its bill than by the Mellon bill. They stated that of a total of 6,662,176 persons making income returns in 1921, only 6,109 would receive greater benefits from the Mellon plan as compared with 6,656,067 under the Simmons (Democratic) plan. There is little doubt that the majority of members in both houses were quite mindful of the voters. On the other hand, it was somewhat amusing to observe Mr. Mellon and his followers stressing Treasury surpluses and prosperity as justifications of tax reduction and in alternate moments deploring the destruction of prosperity by the surtax and the inability of the country to pay a soldiers' bonus. There appears to be some truth also in the charges that the Treasury and administration leaders estimated the amount of the Treasury surplus or deficit according to whether they were advocating tax reduction or opposing bonus legislation. These estimates for the year varied over \$1,000,000,000; Senator Jones said, from a surplus of over \$300,000,000 to a deficit of over \$822,000,000.<sup>20</sup>

<sup>20</sup>*Cong. Record*, April 24, 1924, p. 7267. According to a Washington dispatch (*Minneapolis Tribune*, July 18, 1924, p. 14), Mr. Gerard Winston, acting Secretary of the Treasury, stated before the new Board of Tax Appeals that the estimated surplus for the fiscal year ending June 30, 1925, is \$50,000,000. This does not take account of a saving of \$83,000,000 which the President has asked the departments to make from their appropriations and which, if realized, will swell the surplus to \$133,000,000. This estimate does, however, take into account the large reductions made by the Revenue act of 1924 and the large expenditures occasioned by the bonus and other bills enacted.

Perhaps it should be added that Secretary Mellon, when questioned about how he arrived at the various estimates put out by the Treasury, stated that he did not always report the figures given by the government actuary but sometimes modified

Both major parties were maneuvering to get the credit for tax reduction for use during the election campaign. If they could not get just what they preferred, they seemed willing to endorse almost anything else upon which they thought they could make favorable claims to the country. Leaders and others denounced some provisions which a little later they defended, and both houses passed the Conference Report, a bill very different from the administration plan, with only six representatives and nine senators voting in opposition. Even the President approved the bill in spite of all he had said and done, but with a vigorous protest and the statement that he would "bend all his energies" to see that the next session of Congress passes a bill "less political and more economic."

The President's suggestion that he will call a conference of state and Treasury tax officials before the beginning of the next session is a good one. Apparently he has in mind that they should consider chiefly state and federal problems and policies with reference to estate and inheritance taxes.

But that the President can prevail upon the next session of Congress to pass the kind of a revenue measure he wants seems doubtful. It will have the same membership as the past session. What he can do in a still later session is even more problematical; it will depend somewhat upon changes in the character of the new Congress and also somewhat upon who is president. Present signs do not indicate a smaller number of insurgent and radical members of Congress, but no one can tell what may happen by November. It is said that if the 1896 election had been in September instead of November Mr. Bryan would have been president. But the price of wheat went up and the result was different. The price of wheat has been rising recently (June). Possibly 1924 will parallel 1896 in some respects. But, whether it does or not, the organized tax-reduction campaigns of 1921 and 1924 appear to presage a succession of similar ones until we get nearer to pre-war levels, even if we never reach them.

ROY G. BLAKEY.

*University of Minnesota.*

them according to suggestions of other Treasury officials. It might be added, also, that these modifications did not always increase their accuracy.

## THE DELIVERED PRICE PRACTICE IN THE STEEL MARKET

Before the Pittsburgh-plus practice was adopted by the steel mills, steel was sold on a Pittsburgh zone-plus system. The country was divided into arbitrary freight zones with Pittsburgh as the center; each zone had a flat zone-price, identical for all delivery points within that zone; this zone-price of steel stepped up like a stairway by an arbitrary differential of two or three dollars according to the distance of that zone from Pittsburgh. A consumer of steel at Minneapolis, for example, could not purchase steel at the Chicago mills and then pay the actual freight from Chicago to his point of delivery, but could only purchase his Chicago steel at a delivered price set for the zone to which it was shipped, and that delivered price was the Pittsburgh price plus the stairway freight to the zone of delivery.

A large consumer of steel at Minneapolis proceeded to break the zone system. He bought a heavy consignment of steel to be delivered at a station in the Wisconsin zone at \$1.00 per ton less than the delivered price in the Minnesota zone. This point of delivery in the Wisconsin zone had but one railway and that railway went through to Minneapolis. The freight rate, however, on that railway was the same to Minneapolis as it was to the Wisconsin way station. This Minneapolis consumer then made an arrangement with the railway company that the steel should not be laid off at the Wisconsin station but should be carried through to Minneapolis. In this way he got the Wisconsin zone-price of steel instead of the Minnesota zone price and saved something like \$5,000 on a single consignment of steel. The steel company found out about it, and put Wisconsin in the Minnesota zone. Then he repeated the trick at another similar point on the Michigan peninsula and saved another \$5,000. Then the steel company sent a man to find out what might be the great manufacturing industries which this enterprising Minneapolis consumer was setting up in the Michigan peninsula. He discovered a couple of way stations and found that it was not a great expansion of Minneapolis over into Wisconsin and Michigan, but was merely a hole in the zone system of pricing steel.

So the steel companies proceeded to adjust themselves to that hole. They could not change the freight-rate schedules of the railways, so they fitted their delivery prices of steel to the freight rates. This is the Pittsburgh-plus practice. The zone system was abandoned and the delivered price of steel was computed at the Pittsburgh price plus the exact freight, instead of the average zone freight from

Pittsburgh to point of delivery. Now a purchaser of steel located at Minneapolis, Milwaukee, or elsewhere, while the Pittsburgh-plus practice is in vogue, cannot go to Chicago or Duluth and obtain legal control of steel there and then ship it to any place that he pleases, but he can buy that Chicago or Duluth steel only at a price which includes the freight from Pittsburgh to the point where the purchaser's factory is actually located. There is no hole left in the system. Each buyer of steel is shut up in his own little coop where his factory is located, since he does not get absolute title and full control of the steel until it is delivered at his factory. The steel companies sell the steel to him but they do not sell it at their mills. In addition to manufacturing and selling steel they also buy and sell freight and they require him to buy that freight from them instead of buying it from the railway companies.

When the Pittsburgh-plus practice was attacked before the Federal Trade Commission by the Western Consumers of Rolled Steel Products, on the ground that it was discriminatory and suppressed competition, the Steel Corporation set up the defense that the alleged discriminations were not really discriminatory at all, but were the natural result of the great law of supply and demand. Their answer to the complaint asserted that when they changed to the Pittsburgh-plus practice they were obeying the law of supply and demand, a law which they had been violating when they practiced the former zone system. The issue in the case, then, turns on the question: How does the law of demand and supply actually operate in a free and equal market, and does the Pittsburgh-plus practice conform to or interfere with the free operation of supply and demand?

There are certain other facts regarding the steel market which should be stated in order to appreciate the Pittsburgh-plus practice. Within the past thirty years rolled steel has become almost as important as railways. Every sky-scraper, every factory building is a rolled-steel product. Every automobile, every farm implement, every railway, every bridge is made of rolled steel. The consumers of rolled steel include almost the entire list of machinery manufacturers and building and bridge erectors. It is the age of steel, and a war is won or lost by the steel mills. In this tremendous industry two things have been found to be quite necessary, or, at least, highly useful, namely, standardization of products and stabilization of prices.

Rolled steel products have been remarkably standardized and these standards are perfectly known in the trade, including chemical content, shapes, sizes, weights and extras. When you order rolled steel, it is about as simple and accurate a process as ordering postage stamps. And you can order exactly the same specified product from

any mill in the country that is equipped to produce it. Hence there is practically no competition as to the physical qualities of rolled steel. Every producer of steel knows, through the standardized specifications, exactly what it is that his competitor is selling, and he cannot pull a customer away from his competitor by offering a better quality. The only competition is in the price, the speed of delivery and the arts of salesmanship.

In the second place, the manufacture of steel is concentrated in a few large mills, each specialized to a certain kind of product, and many of these formerly competing mills are owned by one company, the United States Steel Corporation, producing 40 to 80 per cent of the various kinds of products and owning plants strategically placed at Pittsburgh, Chicago, Duluth and Birmingham. This concentration of ownership came about twenty-five years ago, following the destructive and cut-throat competition of the former era when Andrew Carnegie dominated steel. That had been a period of violent and extreme fluctuations in price, and of ruthless destruction or absorption of the weak competitors by Carnegie, alternating with short periods of illegal pools, combines or other price-fixing agreements. But the Steel Corporation has followed a different policy. Its great contribution may be summarized in the word—*stabilization*. Not that it has accomplished actual stabilization of prices, but it has resisted violent fluctuations, and has protected its customers against the losses formerly occasioned by unexpected boosts or unexpected slumps in prices. For this reason the policy of the Steel Corporation has been highly appreciated by the consumers of rolled-steel products as well as by the smaller competitors of the corporation. It has not attempted to drive the latter out of business provided they did not attempt to cut prices, but were content to limit themselves, in pulling customers away from the Steel Corporation, to the allurements of salesmanship and prompt delivery at higher prices. Whenever they started to cut prices, which they sometimes did in hard times, a gentle growl from Judge Gary, chairman of the Steel Corporation, uttered in the presence of newspaper reporters and published in the daily press and trade papers, served quickly to bring the price-cutters back to the announced prices of the Steel Corporation. It was this so-called live-and-let-live policy of the Steel Corporation, in contrast to the kill-and-eat policy of Carnegie, that saved the company from dissolution at the hands of the Supreme Court in the year 1919, when the government had attacked it as a conspiracy under the Sherman Anti-trust act.<sup>1</sup> The Steel Corporation, it was held by the court, does not violate the anti-trust laws when it merely announces publicly the prices

<sup>1</sup>U. S. v. U. S. Steel Corp., 40 Sup. Ct. Rep. (1920).

it will charge for rolled steel, even though the announcement contains a well-understood intimation of what the company will do to competitors if they cut the prices too much.

The result is that, through standardization of products and stabilization of prices, all steel producers charge the same prices at the same dates (allowing for a little lag when prices are moving up or moving down) and they restrain their competitive zeal to the arts of salesmanship and prompt delivery. Price competition has practically disappeared, and this disappearance is held by the court not to be a violation of the anti-trust laws, since the salesmen continue to compete for business.

It will be seen at once that the Pittsburgh-plus practice fits in admirably with the standardization and stabilization practices. When the Steel Corporation announces publicly its price at Pittsburgh, every competitor and every purchaser, when the practice is in force, knows at once what its delivered price will be at every point of consumption in the United States. This knowledge is facilitated by a freight-rate book, published by one of the subsidiary companies of the corporation, giving the actual freight rates from Pittsburgh to all consuming points in the United States. If the company announces \$40.00 per ton at Pittsburgh, for example, everybody in the steel trade knows at once that the delivered price at Chicago is \$47.60; at Milwaukee is \$48.30; at Minneapolis is \$53.20; at Indianapolis is \$46.90; and so on, no matter whether the steel is actually manufactured at Pittsburgh, Chicago, Duluth or Sparrows Point.<sup>2</sup> Hence standardization of product, stabilization of prices, and a single basing point at Pittsburgh are the most simple and perfect combination of trade practices ever yet devised by competitors for getting by the Supreme Court and maintaining uniform prices throughout the United States without violating the Sherman anti-trust law. This is uniformity by publicity and due regard for consequences, instead of the old-fashioned uniformity by secrecy and conspiracy.

It is also a perfect combination of trade practices for keeping the *immediate* consumers of rolled steel satisfied. Standardization of products and stabilization of prices are two things which the purchasers of steel want in order to shift the price of steel over to the *ultimate* consumers, the general public, which buys from them the machinery, farm implements, automobiles, sky-scrapers, bridges, and the thousand articles ultimately made of rolled steel. If the prices of steel are uniform at the same time, and if they are stabilized for a period of time, and if this uniformity and stabilization are well known to all immediate consumers of rolled steel, then all of them can

<sup>2</sup>The freight rates are those of 1920.

know exactly what their competitors are paying for steel and can guess pretty closely the lowest price which those competitors will charge the general public for the ultimate fabrication and manufacture of products out of steel. Hence uniformity of prices through standardization, stabilization and publicity gets by the Supreme Court, satisfies the immediate consumers, and soaks the ultimate consumers.

And yet there is a big and curious element of secrecy about the Pittsburgh-plus practice. This will be discovered by noticing the circumstances which revealed the secret to the western consumers of rolled steel. The Pittsburgh-plus practice had been generally in vogue for practically the entire period after the formation of the United States Steel Corporation in 1901. Yet no material complaint was ever heard, though there was an expectation in certain quarters that the practice would disappear in 1908 when the Steel Corporation was completing its huge modern plant at Gary, Indiana, in the Chicago district. The practice, however, did not disappear, and everybody continued to be satisfied with the stabilization policy. Then it happened, during the war, that the War Industries Board ordered the practice to be discontinued and Chicago was made a basing point for the steel actually manufactured at Chicago. This brought the price at Chicago down to the same level as the price at Pittsburgh. But, after nine months, the War Industries Board, for some reason, ordered the Pittsburgh-plus practice to be restored. This was the first revelation of the secret. The second came when the Interstate Commerce Commission authorized freight rates to be almost doubled in 1920 above the level of 1914. This approximate doubling of freight rates, of course, made the discrepancy between the Pittsburgh base price and the delivered price substantially twice as great as before, and placed the western manufacturers and fabricators at practically double the former disadvantage in competition with Pittsburgh manufacturers and fabricators. This was the second revelation of the secret, and the immediate consumers of steel learned their lesson in the school of experience, instead of the school of economic theory. They did not think it out as academic economists do—they felt it actually hit them in the pocketbook. And so they proceeded at once to organize the Western Association of Rolled Steel Consumers for Opposing the Practice of Pittsburgh-Plus and brought their complaint before the Federal Trade Commission. After the suit was commenced the steel companies voluntarily abandoned, in part, the practice for the Chicago mills and placed the price of some of the Chicago-made steel on a Chicago base plus freight from Chicago. Then, this association of immediate consumers, having obtained in part what it wanted, the general public, through the legislatures of the four states, Illinois, Wis-

consin, Minnesota and Iowa, took up the case, and now thirty-two states through their legislatures, governors, or attorneys general, are united in an Association of Ultimate Consumers opposed to Pittsburgh-plus.

What, then, is this concealed discrimination which the consumers of steel did not discover until the government, through the War Industries Board and the Interstate Commerce Commission, abolished it and then restored it, and then doubled it?

If all the steel, or the great bulk of the steel, were actually made in Pittsburgh and actually shipped from Pittsburgh, as was perhaps the case 20 and 30 years ago, then the buyers at points remote from Pittsburgh could have no just complaint on the ground of discrimination if they were compelled to pay 20 to 40 per cent more for steel delivered at their location than the buyers who took delivery at Pittsburgh. In fact, like many discriminations in other fields, this one may be said to have grown up almost naturally, and can be explained on historical grounds. But for the past 10 to 15 years Chicago, Duluth and Birmingham have become large producers of steel, at even lower costs of manufacture than the costs at Pittsburgh. Using the figures given out by Judge Gary at Duluth in 1918, a computation shows that if we place the average operating cost at Pittsburgh at a figure represented by 100, then the cost of manufacturing steel at Duluth was 113, at Chicago was 80, at Birmingham was 81. But the delivered price at Duluth (on a basis of \$40.00 at Pittsburgh) would be represented by 133 instead of 113, at Chicago by 119 instead of 80, and at Birmingham by 112 instead of 81.\*

Why should not the buyers of steel at these various localities have been able to buy at even less than the Pittsburgh base price, when the steel was actually made at Chicago or Birmingham, or at considerably less than the delivered price when actually made at Duluth? And furthermore, why could not the buyer at Milwaukee or Minneapolis or St. Louis have bought the steel at the Chicago or Birmingham or Duluth price, and then have paid only the actual freight from these points, much less than the computed freight from Pittsburgh? The curious fact impressed itself upon the consumers that steel actually made at Chicago was sold as though it were made at Pittsburgh, and then the freight that was added was not the actual freight from Chicago but the imaginary freight from Pittsburgh. The Milwaukee purchaser, for example, bought actual steel actually made at Chicago and carried on actual freight trains from Chicago to Milwaukee, but he seemed to be paying a price for fictitious steel made at fictitious

\*Subsequent figures furnished by Judge Gary did not show the differences to be as extreme as these.

Pittsburgh mills and carried on fictitious freight trains from Pittsburgh to Milwaukee. It was this seeming discrepancy between the actual cost and the fictitious cost of both steel and freight that the consumers pointed out and made the ground of their complaint of discrimination before the Federal Trade Commission.

The Steel Corporation made its answer to the charge of discrimination by asserting that Pittsburgh was the point of surplus production of steel, whereas Chicago and other points did not produce enough to satisfy their local demands; therefore, the Pittsburgh price plus freight was the natural price determined by supply and demand. They also contended that each point of delivery, and not the point of production, is a separate market for steel; that all producers of steel compete equally and freely at each of those delivery points; that the Steel Corporation charges the prices thus determined by the free competition of steel producers at those delivery points, and therefore the resulting discriminations in price were not really discriminations in the eye of the law, because they were justified by the higher law of supply and demand to which the steel company was compelled to submit in meeting competition.

In reply to this defense, the economists who appeared as witnesses on behalf of the four states,<sup>4</sup> set up what they contended was the true definition of a free and equal market. They contended that even though the *producers* of steel might be competing with each other at the points of delivery, yet this delivered price practice prevented the *consumers* of steel from competing with each other at the points of manufacture; and that it was this inability of consumers to compete with other consumers at the points of manufacture that was the source of the discriminations.

The facts on which they based their analysis of the Pittsburgh-plus market for steel may be illustrated as follows: If the Pittsburgh mills are selling steel at \$40 per ton and the freight from Pittsburgh to Chicago is \$7.60 per ton (figures for 1920), then the Chicago mills are selling their own steel in the Chicago district at \$47.60 per ton. But at a point, for example, halfway freightwise between Pittsburgh and Chicago, the Pittsburgh mills are selling steel delivered at \$43.80 per ton, and the Chicago mills, if they also sell at that halfway point, must meet the Pittsburgh-plus price, \$43.80. The Chicago mills, therefore, must cut their Chicago price double the freight rate to that halfway point. They must sell at a delivered price, \$43.80 instead of the \$47.60 delivered at Chicago, and must pay the actual

<sup>4</sup>Frank A. Fetter, of Princeton University; W. Z. Ripley, of Harvard University; and John R. Commons, of Wisconsin University. Cf. *Quarterly Journal of Economics* (May, 1924), "The Economic Law of Market Areas, by F. A. Fetter."

freight from Chicago to the point of delivery, another deduction of \$3.80. The result is that while the Chicago mills receive for steel alone, excluding the freight, \$47.60 when they deliver to Chicago consumers, they receive only \$40.00 for the same steel, excluding freight, when they sell to consumers halfway to Pittsburgh. The same steel, made at the same mill and sold on the same day, is sold at \$47.60 to Chicago consumers and at \$40.00 to customers halfway towards Pittsburgh.

This kind of discrimination exists at all delivery points where the Chicago price (which is the Pittsburgh price plus the freight from Pittsburgh to Chicago) plus the actual freight from Chicago, is greater than the Pittsburgh price plus the through freight from Pittsburgh to the same delivery point. And, owing to the peculiar layout of the freight schedules of the country, these points of cut prices for Chicago-made steel extend even west of Chicago. At Davenport, Iowa, for example, the freight from Pittsburgh is \$9.50, and the freight from Chicago is \$3.40, so that, when the Chicago mills are selling to Chicago purchasers at \$47.60 (the Pittsburgh-plus price at Chicago) they are selling the same steel to Davenport at \$49.50 and are then deducting the actual freight from Chicago to Davenport, leaving them only \$46.10 for the steel alone when delivered at Davenport as against \$47.60 when delivered in Chicago.\* This comes about through the fact that the through rate from Pittsburgh to Davenport is less than the sum of the two local rates from Pittsburgh to Chicago and from Chicago to Davenport, and that Chicago must meet the Pittsburgh price delivered at Davenport. In a few cases, as for example, Madison, Wisconsin and a certain Rocky Mountain territory, it happens that the through rate from Pittsburgh is exactly equal to the sum of the two local rates from Pittsburgh to Chicago, and from Chicago to Madison or the Rocky Mountains. In such cases there is no discrimination at Chicago because the Chicago mills are charging the Madison consumer exactly the same price for steel alone at Chicago, as they charge the Chicago consumer at Chicago. On the whole, however, these points for which the Chicago mills, after deducting freight, receive the same price as at Chicago are few in number, and it is probably true that the Chicago mills receive their highest price for steel on about one third of their sales and that they cut their price on two thirds of their sales.

In contrast with these illustrative facts, the economic analysis of a free and equal market consists of two main points. First, as to the commodity itself which is bought and sold. A true market for steel is a market where nothing but steel is bought and sold, just as a

\*Figures are for the year 1920.

market for wheat is one where only wheat is bought and sold. But if the different buyers of wheat, for example, are compelled, by a trade practice or otherwise, to buy variable amounts of oats or butter or any other commodity in order to get title to the wheat, then that practice violates the first essential of an equal market, namely, a standardized and uniform product. So, if the buyers of steel are compelled, by a trade practice, to buy, at the same time, variable amounts of another commodity, freight, then that is not a true market for steel—it is a market for steel plus variable quantities of freight. Although rolled-steel products, as already mentioned, have been highly standardized for the convenience of trade, yet the buyers of steel are not permitted to buy that uniform standardized steel. They must buy variable amounts of freight at the same time. A true market for steel is one where steel alone is sold and not bundled up and sold with variable amounts of something else.

Second, along with this definition of a standardized product is the accessibility of both buyers and sellers to that market. A truly free and equal market is one where all buyers and all sellers come together at the same time and place, and where all of them have adequate knowledge promptly of the prices that competing buyers and sellers are paying and receiving. If such a market is provided, then no buyer will be compelled to pay a higher price, at that time, than other competing buyers on that market, and no seller will be compelled to accept a lower price than other competing sellers on that market. This is the so-called principle of indifference in economic theory which simply means that, if a buyer is entirely free to change his purchases from one seller to another, he will promptly change from a high-price seller to the best low-price seller; and if a seller is entirely free to change his customers to whom he sells, he will promptly change from a low-price customer to the best high-price customer. This is always the case on a truly free and equal competitive market, and the result of it is that there are no discriminations in prices. Everybody pays or receives the same price at the same time for the same commodity. No buyer is held off in a corner by himself and charged a higher price than other buyers are charged, and no seller receives a lower price than other sellers are receiving at the same time and place.

This truly free and equal market does actually exist in many places, as, for example, on the stock exchange or the produce exchange, where all sellers and buyers are actually present in person or through their brokers. But it exists only to the extent that a code of rules and regulations has been adopted and is enforced, designed to prevent unfair practices and to exclude persons who violate the

rules. When an unfair practice is discovered on the stock exchange or produce exchange, a new rule is adopted in order to stop it. This new rule is adopted on those exchanges by the joint action of both the buyers and the sellers, in order to be fair to each. The same is usually true of other markets, and hence, over a period of years, every free and equal market is built up by means of rules and regulations jointly adopted from time to time in order to prevent the discriminations, unfair competition or unfair practices which had previously crept in.

Not every market can be made as free and equal as the stock exchange or the produce exchange, but every market can be brought towards that ideal by exactly the same method of new rules and regulations designed to prevent as much of the unfair trade practices as may have been found to be injurious to business or oppressive to the public. If the situation is such that the buyers and sellers cannot get together and adopt these rules jointly, then the government must step in. And it was exactly for this reason and for this purpose that the Federal Trade Commission was created with power to investigate and ascertain unfair practices and discriminations, injurious to the public, and then to order the parties to "cease and desist."

In this particular case of Pittsburgh-plus, it is seen that the buyers are prevented by the delivered-price system from competing with each other at the points where steel is produced, and hence many of them who buy from steel mills other than those located at Pittsburgh are paying higher prices than their competitors in other localities who buy from the same mills. There are no discriminations whatever in the price of steel that is actually made in Pittsburgh and shipped from Pittsburgh. Everybody, no matter where he uses the steel, pays a uniform price for a standardized product at the mill base in Pittsburgh and then pays the actual freight from Pittsburgh to the point of delivery. There is no unfair practice and no discrimination at Pittsburgh, and the Pittsburgh market for steel actually produced in the Pittsburgh district and sold at the Pittsburgh price at Pittsburgh, plus the actual freight from Pittsburgh, is as near the economic and legal idea of a free and equal market as is probably possible in any manufacturing industry.

Whether there is or is not a monopoly at Pittsburgh makes no difference, as far as this case is concerned. Even if it could be shown that there is a monopoly of the mills located at Pittsburgh, yet that monopoly certainly does not practice discrimination between its customers. It charges them all the same price at the same time. But this case of Pittsburgh-plus is not grounded on the allegation of a monopoly, but on the allegation of a discrimination. It is not a suit brought un-

der the Sherman Anti-trust act, like the former dissolution suit in which a conspiracy was alleged, but a suit brought under those clauses of the Clayton act and the Federal Trade Commission act which prohibit unfair methods of competition and prohibit discriminations that tend towards monopoly or suppression of competition. And these alleged discriminations are not practiced by the Pittsburgh mills. They are practiced by the Chicago mills and the Duluth mills and by all mills away from Pittsburgh, both of the Steel Corporation and the independents, that follow the Pittsburgh-plus delivered-price system.

The question then is, why cannot the customers of the steel mills themselves break down this Pittsburgh-plus system of discrimination, as they broke down the former Pittsburgh zone-plus system? The answer is that the contracts for sale of steel are so drawn that the price of steel is always a delivered price, and the buyers of steel have no option of buying steel at the point where the steel mill delivers it to the railroad, but are always compelled to buy it at the point where the railroad delivers it to the customer.

There are two ways, conceivably, in which the consumer might break down the system; one is by collective action, the other is by competitive, individual action.

The Steel Corporation voluntarily abandoned the Pittsburgh-plus system for Birmingham in 1908 on account of the collective protest of the southern consumers of steel, and the Birmingham mills were then placed on a Birmingham base price instead of a Pittsburgh base price. Likewise, in 1922, after this suit had been started before the Federal Trade Commission by the collective action of the consumers, the steel companies placed the Chicago mills on a Chicago base price, for a large part of their products. But this voluntary collective pressure has two defects. The steel companies retain the delivered-price system, whether it be on a Birmingham base, or a Chicago base, or a Pittsburgh base, and there is no assurance that they may not return to the Pittsburgh base, as they previously had done on three or four occasions after temporarily abandoning it.

The other method of breaking it down would be to follow the individual competitive method by which the zone system was broken down. Suppose the Federal Trade Commission should order the delivered-price system to be abandoned, and the steel mills were thereby required actually to sell the steel at the mills and to give title to it or full legal control of it, at the mills, not including any freight, other than switching charges, in their prices. The steel companies would then pay only the switching charges and the buyers of steel in all the western consuming points would then own the steel, or have full legal control of it, as soon as it was delivered to the distributing railways.

The steel companies in Chicago, if they then attempted to maintain the same Pittsburgh-plus practice with the same discriminatory prices for steel, would have to make a different price, at Chicago, for different customers, depending on the destination to which the customer wished to ship his steel. A Chicago customer or a Madison customer would be quoted, say, \$47.60 for steel at Chicago. A customer halfway to Pittsburgh would be quoted \$40.00 for steel at Chicago. It would be a simple trick, then, for a Chicago customer to purchase steel, saying that he wished to use it at some other point, say a point halfway to Pittsburgh, for which the Chicago mills sold at \$40. Then the Chicago purchaser, having obtained absolute title to or legal control of, the steel at Chicago, and being bound by no contract to use it in any particular locality, could change his mind and keep the steel at Chicago. All of the Chicago purchasers, and in fact all purchasers, no matter where located, would be compelled by competition among themselves to adopt a similar trick, and the Chicago mills would immediately be compelled to adopt substantially a uniform mill base price at Chicago for all purchasers of steel.

It is a situation something like this that enabled the railway companies to prevent the Pittsburgh-plus practice from even being started in the case of steel rails and in the case of all steel required for repairing cars and engines. The price for steel rails has, for over 20 years, been a mill base price, at all steel mills, and not a delivered price, but it is exactly the same at Pittsburgh, Chicago or Birmingham. Why should the railway companies have been able to break down the Pittsburgh-plus practice when manufacturing companies were not able to break it down? The answer is, simply because the railway companies can take delivery of steel at any mill and pay their own freight. They are themselves in the freight business and can prevent the steel companies from going into that business. The Pennsylvania Company could not be compelled to pay \$47.60 for rails at Chicago if they could buy the same rails at \$40 at Pittsburgh, as the railway company can take delivery at Chicago or at Pittsburgh. It would therefore throw all of its purchases to the low-price mills at Pittsburgh, and the high-price mills at Chicago could make no sales.

But manufacturing companies, under a delivered-price system, can not take delivery at any steel mill—they can take delivery only where their plants are located, since they do not have branch plants and do not own railways. Hence the manufacturing companies are cooped up, each in its own little locality of delivery, but the railway companies have an option of taking delivery at any mill from Maryland to Colorado. The market for steel rails is a free and equal market, in the sense that there are no discriminations, because all of the buyers and

all of the sellers of steel rails are on the same market at the same time, regardless of locality. The market for other forms of steel is not free and equal, because the buyers cannot come together at the steel mills and there compete with each other, but are kept at a distance by the delivered-price system.

Hence the contention of the steel company, in its defense, that each locality of delivery is a separate market for steel, and that the steel *producers* compete with each other in those several markets is not a proper notion of a free and equal market. The steel companies may perhaps compete with each other, in the several localities of delivery, by the arts of salesmanship and the allurements of prompt delivery, or even by cutting prices, but the *consumers* of steel cannot compete with each other so that all of them will get the same price for steel alone, at the same time, unless they can go to the steel mills and buy at the mills. It is this inability of the steel consumers to compete with each other at the mills which is the secret of the discrimination that flows from the Pittsburgh-plus practice.

The rather simple remedy is merely to prohibit the delivered-price system; then the buyers of steel are smart enough to break down the discriminations in so far as they believe that those discriminations place them at a disadvantage in their competition with each other.

The other defense of the steel company, namely, that Pittsburgh is the point of surplus production, whereas Chicago and elsewhere are points of deficit production, such that the price of steel in the other places must be high enough to enable Pittsburgh mills to sell and pay the freight, turns also on the notion of a free and equal market. The tendency in such a market is for the price paid by all customers to come down to the level of the price paid by the most favored customers. If the price is kept high in the home market and is lowered only in the foreign or distant market, then this practice is that which is known as "dumping." And the practice of dumping indicates a surplus and not a deficit. The Pittsburgh mills do not practice dumping, under the Pittsburgh-plus practice, but the Chicago mills do practice it for all of their sales outside the localities of highest net return at the mills. The freight system furnishes a kind of protective tariff, and, like the protective tariff, enables the local producers to maintain high prices at home and dump their surplus at lower prices in other localities. Instead of Pittsburgh being the point of surplus production and Chicago the point of deficit production, the dumping practice of the Chicago mills indicates ipso facto a surplus at the Chicago mills which is dumped at lower prices in other localities.

And this is what the community of ultimate consumers expects and

is entitled to have from a free and equal competitive system of making prices without discriminations and without dumping. If competition is free and equal, then each increase of supply, made possible by low costs of production, will bring the prices paid by all purchasers down nearer and nearer towards that low cost of production. If the Chicago costs of production, as stated by Judge Gary in 1918, are 20 per cent less than the Pittsburgh costs, and if, instead of keeping up the Chicago price and dumping the resulting Chicago surplus at lower prices elsewhere, they reduced the high prices at Chicago or Madison to the level of the lower prices when delivered at other points, then we should have the natural result of a free and equal market. It is the discriminations of the Pittsburgh-plus practice, and its dumping of a surplus, both of them concealed by the delivered-price system, that prevents the western immediate consumers of steel from competing with each other and thus prevents the western ultimate consumers from getting the advantages of the low costs of production of the western steel mills. A free and equal market is an immediate advantage to the immediate consumers and an ultimate advantage to the ultimate consumers.

This Pittsburgh-plus practice reveals quite clearly what it is that constitutes a modern market, in contrast with those primitive markets which furnished the basis of facts for the classical and Austrian economists. Henry Dunning McLeod was the first economist to maintain that, on a market, it is not physical commodities but legal rights that are bought and sold. He described thereby the great modern markets in contrast to the early commodity markets. In a primitive market the producers or merchants actually bring their commodities to the market, and there occurs then a double transfer—a physical transfer of a commodity and a legal transfer of ownership of that commodity. This kind of market survives in municipal market places and in retail business. On such markets, when the seller hands over the physical goods to the buyer, the legal control of the goods is automatically transferred by operation of law.

But in a modern wholesale market the physical goods are not actually brought to the market place, but only the title, or, at least, only the legal control of the goods, is transferred from seller to buyer. The physical designation of the goods is made accurate by the three stipulations of a standardized product, a specified place of delivery and a specified time of delivery. Then the physical control of the goods goes along in the hands of the agents, laborers, railway employees and so on, who actually handle the goods, but these agencies are operating under stipulations agreed upon by those whose behavior in law is deemed to determine the legal control of the goods.

Since it is the law, therefore, that determines the legal control of goods, the law has at all times taken into account, more or less, any injustice, discriminations, or oppressions which occur when this legal control is transferred under the authorization of the law. And this determination by law might be extended to cover the *place of delivery* of title or legal control, just as much as it has already been extended to cover many other practices involved in the legal, as opposed to the physical, transfer of commodities. It is upon this presumption that the plaintiffs in this case ask for an order from the Federal Trade Commission, designating the place where legal control of steel is transferred from steel producers to steel consumers.

JOHN R. COMMONS.

*University of Wisconsin.*

NOTE:—The papers of July 23, 1924, announce the findings and opinion of the Federal Trade Commission, ordering the discontinuance of the Pittsburgh-plus system by a vote of four to one of the commission. The dissenting commissioner is reported as saying: "If the economists are right, the requirements of the situation should be met only by legislative recognition of the necessity for more exact statement of the scientific relation between business and economics and a declaration of that relation in the form of a law of general application."

## PROBLEMS IN THE RADIO INDUSTRY

A recent investigation of the radio industry, in which a considerable amount of data has been assembled, seems to indicate that at present the interests concerned are engaged in buying up patents and entering into exclusive contracts for the manufacture and use of apparatus and generally consolidating their position, without direct resort to manifestly unfair means of competition or exorbitant exactions; although it is stated that the vacuum tube, upon which the practical operation of radio apparatus depends, is not separately sold or leased and is not permitted to be made except by two concerns that control the manufacture and distribution. Whether this situation develops into a monopoly, ineffectually regulated by an elaborate system of jurisprudence, or, as the common property of mankind, affords only competitive returns to the capital and labor employed, depends upon the recognition of the principle that electro-magnetism is a natural resource not properly subject to uncontrolled private exploitation.

Writing on "Air as Raw Material," in *The Annals of the American Academy* for March, 1924, Walter S. Rogers, American adviser to the Peace Conference in Paris, said that one of the serious problems in dealing with the subject of international electrical communications was the question who owns the right to use space for communication purposes. Delegates from the five powers that participated in a conference held at Washington in the autumn of 1920 worked on the theory that the governments together held the ultimate right and should therefore allocate the various wave lengths for particular purposes and as between themselves. He said:

The leading private radio interests throughout the world opposed this conception. There is no question that certain private radio companies believe that by something analogous to what we call "squatters' rights" they can secure an actual out-and-out ownership of the right to use wave lengths, and they do not want to get the right to use wave lengths through a license from any government or as a result of any international agreement. They want to hold completely the right to the use of wave lengths which they employ in their services. In a certain sense the development of radio has opened up a new domain comparable to the discovery of a hitherto unknown continent. No one can foresee with certitude the possible development of the transmission of energy through space. Really great stakes are being gambled for. And private interests are trying to obtain control of wave lengths and establish private property claims to them precisely as though a new continent were opened up to them and they were securing great tracts of land in outright ownership.

Of course air has nothing to do with the matter, whether as raw material or otherwise. Nothing is property unless it can be reduced to possession and exclusively occupied and held. The newspapers of

Washington, D. C., called attention, some few years ago, to the purchase of the space overlying a lot of ground by the owner of a tall building adjoining, in order to secure the right to the perpetual use of whatever light and air might fill that space. Air drifts in and out with every zephyr, and light passes through at the rate of 186,000 miles a second.

The purchaser can own only so much of them as he can use. What he here bought was something more imponderable than air, more impalpable than light. In economics it is known as land, or natural resources; in everyday English it is space. Land is the term that expresses exactly the nature of the thing possessed—space in relation to the world in which we live. In the case of the deed referred to, the purchaser bought a truncated pyramid bounded by one plane parallel to the surface of the street, and a specified number of feet above it, and another plane or base in the skies. The grantor retained the remainder of the pyramid extending to the centre of the earth.

It is a faulty analysis which discovers some new kind of property in the possibilities revealed by science. Property in real estate is not only exclusive, but inclusive—it embraces all possibilities. A scientific interloper has no more right to start an injurious or offensive commotion among electric or radio vibrations within my space than he has to drive a horse and cart through it or set off a ton of dynamite. It is quite true that setting up these vibrations of the ether within my territory may not interfere with any of the uses for which I wish to employ my space. That is beside the point. That is not the theory of land ownership at all. The essential thing about this kind of property is the vested right to prevent others from using it. I am old-fashioned. I may believe that these new-fangled vibrations are inventions of the devil. I may not choose to have them set up on my land at any price, and that is all there is about it.

Not quite all. There is a principle of law that even the rights of a landlord are limited by a right of eminent domain residing in the government. Under this claim land may be taken from the owner and devoted partly or entirely to public uses. Easements is another doctrine under which qualified rights or privileges in or over the lands of others are accorded to the public under certain conditions. The point is plain that private property in land is not a right that can be maintained against an adverse public interest. The sending of communications by means of vibrations of various wave lengths is therefore not a right that can be set up and maintained by virtue of the ownership of land. It is an act that cannot be committed on one's own land without trespass on others' land. It is an act that no respecter of vested rights could logically permit or legally perform without the consent of other property holders. This consent would be ex-

pressed in a practical way through acts of government conferring upon individuals or corporations the right to the exclusive use of certain wave lengths for the purposes indicated.

Such an organization, employing appropriate apparatus to excite certain vibrations, would be enjoying a monopoly and could only function properly as a public utility under government regulation or ownership. To preëempt the ether and hold wave lengths by prescription and prevent interference with the operation of these agencies, seems to require legislative and executive authority of the state—turning the power of monopoly to the common service.

A patent conveys the exclusive right to the use of a machine or apparatus or some original idea or combination of apparatus, but the operation of any machine involves the use of land, and where the effects of operation extend indefinitely throughout adjoining space the right to occupy this space can be exercised, in strict logical inference, only through a public franchise. If a residuary right in the state to all unused utilities were admitted, a patent on electrical or magnetic apparatus might by implication confer a right to operate it, but such is not the doctrine of fee simple. Any use of land without consent of the owner, or holding it in adverse possession for any purpose, is trespass—an invasion of the owner's exclusive authority. The courts have held that all residual rights not requisite for the operation of a franchise remain in the owner of the property. The difference between transmitting telegraphic and wireless messages is that in one case physical possession of the land is required and in the other not. But this is only a practical and not a theoretical consideration. Is our theory of land tenure to be upset, and the institution upon which vested rights now seem to rest securely to be undermined in the interest of some three million radio fans and a few broadcasters? The whole matter can be consistently adjusted by declaring that wireless transmission is an agency of interstate commerce, employing *land* in various wave lengths, and subject to public regulation by franchise, like any other natural monopoly.

Are we not simply dealing with space in a fourth dimension? Having reduced space to private ownership in three dimensions, should we not also leave the wave lengths open to private exploitation, vesting title to the waves according to priority of discovery and occupation? Being early on the ground, enterprising and acquisitive, we Americans should see to it that Britannia does not rule these new waves. There are probably a good many of them and we can hardly expect to capture them all, but we should get our share, and that ought to be a clear majority of waves over all competitors. It would not be in the interest of world peace for small nations to have any particularly valuable waves, because if the large nations could not

trade them out of these resources there would be a standing incitement to war. Of course, large nations could adjust their wave claims peaceably through diplomacy, as heretofore, in respect to conflicting interests. By leaving electro-magnetic wave lengths as rewards to the discoverers, we would encourage exploration of the ether, and raise speculation in natural resources to the acme of refinement. Then by referring these newly appropriated natural resources for tax appraisal to purely political agencies, as usual, we would sink public morality to still lower depths.

Of course, the wave length is not a fourth dimension, for there is also breadth and depth of wave (amplification and intensity) and doubtless the correct analogy is the whole electro-magnetic field; but private property in any natural field or wave is only a human convention and one that it would be dangerous to extend to this new-discovered continent. The theory that otherwise it cannot be developed has already been demonstrated to be untrue. Otherwise only can it be kept free from monopoly.

WILLIAM WALLACE CHILDS.

*Washington, D. C.*

## COMMUNICATIONS

### Real Demand and Market Price

In a recent article<sup>1</sup> Professor Hansen correctly calls attention to the variety of meanings of the term "demand." He fails, however, to maintain uniformity in his own usage of the term throughout the article, and confusion results.

The distinction between money demand, and real demand, about which most of the discussion centers, is valid. It has application, however, only to comparisons involving *time*, sufficient time to permit of changes in the value of money. At any moment the offer of money for goods is an offer of general exchange value, and a schedule of quantities demanded at various money prices is identical with a schedule of quantities demanded at various exchange values. Over a period of time sufficient to permit of changes in the value of money, a demand schedule drawn in terms of money may change without a corresponding change in a schedule drawn in terms of commodities, but this change does not destroy the identity of the "real demand" and "money demand" schedules. Rather the change is necessary in order to maintain the identity.<sup>2</sup>

More important, the distinction drawn between "money demand" and "real demand" can be maintained only so long as a single commodity or group of commodities is viewed apart from the rest of the market; it has no application to the demand for all commodities. "A real increase in real demand" is defined by Professor Hansen as "either a larger volume of purchases at the same exchange value or the same volume of purchases at a higher exchange value." But this is quite meaningless as applied to commodities in general, because the exchange value of commodities in general never changes, if it can be said to exist at all. We can have an increase in the amount of any one commodity which will be exchanged for a given quantity of commodities in general; we can have an increase in the amount of commodities in general which will be exchanged for a given amount of money; but we cannot conceive of a change in the amount of commodities in general which will be exchanged for a *given amount* of commodities in general.

In attempting to get over from the concept of "real demand" for a single commodity to "real demand" for all commodities, Professor Hansen shifts from the conception of demand as the volume of purchases at a

<sup>1</sup>"Certain Aspects of Demand in Relation to the Business Cycle," *AMERICAN ECONOMIC REVIEW*, March, 1924, pp. 13-16.

<sup>2</sup>Thus, in the schedules given in note 5, p. 14, it is evident that the price of shirts is \$2, and that so long as this is true the two schedules are identical; if they are plotted the only difference is in the notation of the scales. If the purchasing power of the dollar should change, the relative value of shoes and shirts remaining unchanged, it would be necessary to make an adjustment in the schedule of money demand and none in the schedule of "real demand" (in this case more properly "shirts demand"), but the adjustment would consist merely in changing the place of the curve on the dollar scale, or the notation of the scale; the identity of the two schedules would persist.

given exchange value to the concept of demand as the total amount actually taken off the market. This shift, which obliterates the distinction between demand and supply, enables him to reach the startling conclusion that an increase in real demand tends to lower prices.

It is true, of course, that under the conditions stated, namely, an increase in the output of industry without a corresponding increase in the quantity of the circulating medium (or its velocity), prices will tend to go down. Demand, defined as the amount actually taken off the market, will be larger. It is difficult to see, however, that the increase of demand, even thus defined, is the *cause* of the lower prices.

By employing a similar shift in the meaning of terms, one might construct a case for the theory that an increase in *money demand* lowers prices. Increase the output of rubber by the development of plantations, without any change in the (money) demand schedule for rubber. The price of rubber will fall, and at the lower price more will be demanded; therefore, we may argue, the increased demand has lowered the price!

C. O. HARDY.

Washington, D. C.

## REVIEWS AND NEW BOOKS

### General Works, Theory and Its History

#### NEW BOOKS

- AMONN, A. *Ricardo als Begründer der theoretischen Nationalökonomie. Eine Einführung in sein Hauptwerk.* (Jena: Fischer. 1924. Pp. v, 122.)
- FOX, D. R. *Herbert Levi Osgood: an American scholar.* (New York: Columbia University Press. 1924. Pp. 167. \$1.50.)
- FRANKLIN, F. *Plain talks on economics: leading principles and their application to the issues of today.* (New York: Putnam. 1924. Pp. ix, 353.)
- GOTTLILILIENFELD, F. VON. *Die wirtschaftliche Dimension. Eine Abrechnung mit der sterbenden Wertlehre.* (Jena: Fischer. 1923. Pp. xl, 288.)
- HART, J. K. *Social life and institutions: an elementary study of society.* (Yonkers-on-Hudson, N. Y.: World Book Co. 1924. Pp. vi, 423. \$1.80.)
- HOBHOUSE, L. T. *Social development: its nature and conditions.* (New York: Holt. 1924. Pp. 348. \$3.75.)
- NEFF, E. *Carlyle and Mill: mystic and utilitarian.* Columbia University studies in English and comparative literature. (New York: Columbia Univ. Press. 1924. Pp. 334. \$2.25.)
- PERREAU, C. *Leçons d'économie politique, financière et sociale.* (Paris: Lib. Générale de Droit et de Jurisprudence. 1924. Pp. 313. 18 fr.)
- SELIGMAN, E. R. A. *Principles of economics, with special reference to American conditions.* Tenth edition, revised. (New York: Longmans, Green. 1923. Pp. ix, 711. \$3.50.)
- In his preface the author explains the issue of a new edition of his *Principles* as necessitated by the economic changes incident to the Great War, but this new edition might perhaps more properly have been called a new printing, for the changes are of minor importance. The introductory matter, including the extended bibliography, has been modified considerably, but the text differs very little from that of the sixth edition of 1914. So little new material has been added that the paging of the new edition is identical with that of the 1914 edition, a few slight changes appearing on some of the pages here and there. Most of the tables and charts, and some of the facts and figures have, however, been brought down to date.
- J. I.
- STAHL, F. *Einführung in die Volkswirtschafts-Lehre.* Second revised edition. (Breslau: Ferdinand Hirt. 1924. Pp. 135.)
- TUGWELL, R. G., editor. *The trend of economics.* (New York: Knopf. 1924. Pp. xi, 556.)
- YVES-GUYOT. *Politique parlementaire et politique atavique.* (Paris: Alcan. 1924. Pp. xv, 426. 12.50 fr.)

## Economic History and Geography

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ABRAMOWITSCH, R. *Die Zukunft Sowjetrusslands*. (Jena: Thüringer Verlagsanstalt. 1923. Pp. 56.)

ANDERSON, B. M., JR. *The report of the Dawes Committee*. Chase Economic Bulletin, vol. IV, no. 1. (New York: Chase National Bank. 1924. Pp. 30.)

BEER, M. *Social struggles in the Middle Ages*. (London: Leonard Parsons. 1924. 6s.)

BRANDT, B. *Südamerika*. (Breslau: Ferdinand Hirt. 1923. Pp. 140.)

BÜRGER, O. *Peru: ein Führer durch das Land für Handel, Industrie und Einwanderung*. (Leipzig: Dieterich. 1923. Pp. viii, 294.)

CALMETTE, G. *Recueil de documents sur l'histoire de la question des réparations*. Publications de la Société de l'Histoire de la Guerre, 3rd series. (Paris: Alfred Costes, Editeur. 1924. Pp. cvi, 539.)

A collection of documents dealing with the problem of the reparations from 1919 till May 5, 1921. It contains an account of the Peace Conference of 1919 and of the negotiations of the next two years, many interesting tables of the commercial balance of various European nations and their debts in 1913 and 1919, and it will serve as a good book of reference for the time with which it deals.

R. R. W.

DROPPERS, G. *Outlines of economic history in the nineteenth century. A textbook for colleges*. (New York: Ronald Press Co. 1923. Pp. vi, 286. \$2.50.)

As the title suggests, the subject-matter of this volume is handled in broad, general sweeps rather than in detail. In fact, the author's purpose was to present a survey of the leading features of nineteenth century economic history. He directs attention chiefly to the movement in the United States, Great Britain, France, Germany and Italy. The author has succeeded in compressing into some two hundred and seventy pages an interesting summary history of this era. The chapters are as a rule brief, but the material has been carefully selected, and presented concretely, so that the student obtains an adequate outline view of the thirty-five subjects which the author discusses. There are chapters on the "commercial world in 1763," the rise of the manufacture of cottons, woollens, and iron, the invention of the steam engine, banks in the eighteenth century; there is also discussion of "reform in Prussia," "migration of labor," "advance of liberal ideas in commerce," and the "effect of investment in India." There are chapters on "the Suez Canal," "payment of the French indemnity," and "commercial crisis."

I. LIPPINCOTT.

DUMVILLE, J. and KERSHAW, S. *The worsted industry*. (New York: Pitman. 1924. Pp. 137. \$1.)

EVANS, I. L. *The agrarian revolution in Roumania*. (Cambridge, Eng.: University Press. New York: Macmillan. 1924. Pp. v, 194. \$4.25.)

FOLWELL, W. W. *A history of Minnesota*. In four vols, vol. II. (St. Paul, Minn.: Minnesota Historical Society. 1924. Pp. xiii, 467.)

FREUND, H. *Russlands Friedens- und Handelsverträge 1918-1923*. Ost-europa-Institut in Breslau, Quellen und Studien, 1 Abt., Recht und Wirtschaft, 8 Heft. (Leipzig: Teubner. 1924. Pp. vii, 196.)

HARTUNG, F. *Das Grossherzogtum Sachsen unter der Regierung Karl Augusts 1775-1828*. (Weimar: Hermann Böhlau Nachf. 1923. Pp. x, 487.)

HAYES, C. J. H. *A political and social history of modern Europe*. Vol. II, 1815-1924. Revised edition. (New York: Macmillan. 1924. Pp. xi, 905.)

Corrections have been made in the text of the chapter on international relations (1871-1914) in the light of materials recently made available, and five new chapters have been added dealing with the period of the Great War (pp. 727-873). The account of the origins of the war makes good use of the publications from the German and Austrian archives, following in the main the moderate view that is gaining ground among historians. Space precludes discussion of the war at sufficient length to involve matters of controversy, and the narrative of subsequent events is likewise free from intrusions of opinions which could give offense or be deemed propaganda. The new chapters are a useful summary of events: political, economic, and social.

A. P. USHER.

HEDIGER, E. *La Lettonia economica*. (Rome: Istituto per l'Europa Orientale. 1923. Pp. 95. L 8.)

INGALLS, W. R. *Current economic affairs*. (York, Pa.: Merlin Co. 1924. Pp. ix, 211.)

JECHT, H. *Beiträge zur Geschichte des ostdeutschen Waidhandels und Tuchmachergewerbes*. (Görlitz: Verlag der Oberlausitzischen Gesellschaft der Wissenschaften. 1923. Pp. 122.)

KOLWEY, K. *Studien über Britisch-Indien*. Inaugural-Dissertation (Feb., 1922) zur Erlangung der Doktorwürde der Ludwig-Maximilians-Universität zu München. (Tübingen: Mohr. 1923. Pp. 359-487.)

Issued as a separate of the *Archiv für Sozialwissenschaft und Sozialpolitik*.

KÖTZSCHKE, R. *Allgemeine Wirtschaftsgeschichte des Mittelalters*. (Jena: Fischer. 1924. Pp. xiv, 626.)

MACCHIAVELLO VARAS, S. *El problema de la industria del cobre en Chile y sus proyecciones economicas y sociales*. Seminario de ciencias economicas y sociales de la Universidad de Chile, vol. II. (Santiago de Chile: Universidad de Chile. 1923. Pp. 348.)

McLENDON, S. G. *History of the public domain of America*. (Atlanta, Ga.: Foote & Daires Co. 1924. Pp. 200. \$2.25.)

MANNING, W. R., editor. *Arbitration treaties among the American nations to the close of the year 1910*. Publications of the Carnegie Endowment for International Peace, Division of International Law. (New York: Oxford Univ. Press. 1924. Pp. xl, 472. \$3.50.)

MELLE, W. von. *Dreissig Jahre Hamburg Wissenschaft 1891-1921. Rückblicke und persönliche Erinnerungen*. (Hamburg: Kommissionsverlag von Broschek & Co. 1923. Pp. 726.)

- MORGAN, J. H. *The present state of Germany*. (London: Univ. of London Press. 1924. 2s. 6d.)
- MORGAN, R. B., editor. *Readings in English social history, from pre-Roman days to A. D. 1837*. (New York: Macmillan. 1923. Pp. 615. \$5.50.)
- OSGOOD, H. L. *The American Colonies in the eighteenth century*. Vols. I and II. (New York: Columbia Univ. Press. 1924. Pp. xxxii, 552; xxiv, 554. \$20 set.)
- REINHARD, R. *Weltwirtschaftliche und politische Erdkunde*. Third revised edition. (Breslau: Ferdinand Hirt. 1924. Pp. 188.)
- REUTER, B. A. *Anglo-American relations during the Spanish-American War*. (New York: Macmillan. 1924. Pp. vii, 208. \$8.75.)
- SALZMAN, L. F. *English industries of the Middle Ages*. New edition. (New York: Oxford Univ. Press. 1923. Pp. xx, 360. \$3.50.)  
New and revised edition, with additional material. First edition reviewed in 1914, vol. IV, page 364 of the REVIEW.
- SARTORIUS VON WALTERSHAUSEN, A. *Zeittafel zur Wirtschafts-Geschichte*. (Halberstadt: H. Meyer's Buchdr. 1924. Pp. vii, 110.)
- SCHEU, E. *Frankreich*. (Breslau: Ferdinand Hirt. 1923. Pp. 148.)
- SCHÖN, F. W. *Volkswirtschaft, Aussenhandel und Industriepropaganda der Schweiz*. (Menzingen: Selbstverl. 1923. Pp. 111.)
- STANIEWICZ, W. *Matujzy Bolondziszki: un village de l'arrondissement de Lida*. Etude économique et social. Bibliothèque de l'Institut de Politique Agricole de l'Ecole Supérieure d'Agriculture de Varsovie, no. 3. (Wilno: Gebethner i Wolff. 1923. Pp. 158.)
- China year book 1923*. Edited by H. G. W. WOODHEAD. (Tientsin: The Tientsin Press. 1923. Pp. xxxviii, 1243.)
- Deutschland und Frankreich: ihre Wirtschaft und ihre Politik im Jahre 1923*. Hrsg. von R. KUCZYNSKI. I, *Wirtschaftliche Lage*; II, *Finanzen*; III, *Reparationen*. (Berlin: Verlag von R. L. Prager. 1924.)
- Enzyklopädie der Erdkunde. Lufthülle und Klima*. Bearb. von Dr. A. DEFANT und Dr. E. OBST. (Leipzig: Franz Deuticke. 1923. Pp. viii, 186.)
- Germany's economy, currency and finance. A study addressed by order of the German government to the Committees of Experts, as appointed by the Reparation Commission*. (Berlin: Zentral-Verlag G.m.b.H. 1924. Pp. 112.)
- Industrial, social and civic progress, an inspiring showing*. (New York: National Civic Federation. 1924. Pp. 43. 25c.)
- Other industries of New England: their origin, development and accomplishments*. (Boston: State St. Trust Co. 1924. Pp. 59.)
- The statesman's year book 1924*. Sixtieth annual publication, revised after official returns. Edited by KETTIE and EPSTEIN. (New York: Macmillan. 1924. \$7.50.)

## Agriculture, Mining, Forestry, and Fisheries

*Elements of Land Economics.* By RICHARD T. ELY and EDWARD W. MOREHOUSE. (New York: The Macmillan Company. 1924. Pp. xviii, 363. \$3.50.)

The underlying thought throughout this book is the need for a constructive national policy, and chapter after chapter has a concluding paragraph emphasizing this as a means for "improvement of the social conditions of living" as influenced and affected by men's relations to each other in respect to land. Carver in his recent book, *Elements of Rural Economics* wrote in terms of nation building and public welfare, but only with respect to rural life. This book includes all the national resources—land, water, forest, and minerals—and stresses in several chapters the governmental and legalistic aspects. Many principles set forth in Ely's monumental work *Property and Contract* are noticeable as the background for much contained in the chapters on "The social ends of land utilization" and "Ownership of land." The legal, physical, economic, and social characteristics of land as briefly discussed in one of the opening chapters furnish a good background for succeeding chapters. That there is no physical scarcity of land but only a "scarcity of the economic supply of land" is emphasized. The authors recognize the importance of classification of natural resources and include a very suggestive outline, which is later followed by a more detailed one for urban property.

The peculiarities of land and the various physical, economic, and social limitations affecting its use are treated at length. In connection with the discussion of the necessity for holding agricultural land out of use for future urban use, and the cost of doing this, the term "law of the ripening costs of land utilization" stands out prominently; however, the law is not definitely stated. The vanishing forests and the depletion of minerals are viewed with concern. The need is stressed for public policies that will bring about wise and economic use of these resources, with a steady public income for the localities in which they are found. The chapter on "Land credit" is largely a summary of the various private and public credit institutions and their place in the field of credit.

The chapters devoted to "Land values and valuations" and "Policies of land taxation" are two of the strongest in the book and will be stimulating to those interested in the study of present-day land problems. The authors state that the "study of land valuation is little explored" and they point out that land value is not only a measure of relative importance with respect to individuals, but is also the capitalized earning power of the land, an indication of the security back of mortgages and the basis for taxation. It is emphasized that

constructive public taxation policies are of paramount importance if the natural resources of the country are to be utilized in the best interests of the whole people. There is now a decided trend toward confiscation of agricultural land through taxation, and, furthermore, the authors hold that in the future settlers will not be attracted to land unless more social attractions and rural amenities are offered. In the opinion of the authors new sources of taxation are essential and indirect taxation offers the best opportunity for relieving the tax burden on land, particularly agricultural land.

Like Carver in *Elements of Rural Economics*, Ely and Morehouse discuss our farm tenancy conditions, and point out that many of them are detrimental to the improvement of farms and the advancement of rural communities. They call attention to the disadvantage of the short-time lease, but it is open to question whether they have given sufficient emphasis to the influence that stable land values and satisfied tenants and landlords will exert in bringing long-term leases into use.

Although this book is termed an elementary treatise, it is based upon deep study of vital land problems. It is constructive and stimulating and a real contribution in the field of study relating to future development of the nation, as affected by the manner in which our natural resources are used and distributed among the people. It will tend to stimulate interest in the study of natural resource problems from a nation-wide point of view, and serve as an introduction to the series of books on land problems planned by the Institute for Research in Land Economics and Public Utilities.

ALVA H. BENTON.

North Dakota Agricultural College.

#### NEW BOOKS

ANDERSON, B. M., JR. *Artificial prices a menace to economic stability: the farmer's problem and the revised McNary-Haugen bill.* Chase Econ. Bull., vol. IV, no. 2. (New York: Chase National Bank. 1924. Pp. 17.)

CARRIER, L. *The beginnings of agriculture in America.* (New York: McGraw-Hill Book Co. 1923. Pp. xvii, 323. \$3.)

Mr. Carrier's book is evidently the product of diligent research. He has obtained his materials chiefly from original sources, many of which are not accessible to the ordinary seeker after the raw materials out of which books are made. The volume is intended to serve as a textbook for agricultural courses, for the author has not given the documentation which is customary in a treatise which involves a large amount of original investigation. Many readers, however, would prefer ample footnotes for it is impossible to locate many of the sources of material from the author's context.

This volume begins with a discussion of the "Value of agricultural

history," and is followed by chapters on "Old World agriculture." The discussion of "Indian agriculture," and "Indian crops" is particularly enlightening. A considerable portion of the volume is devoted to regional agriculture in colonial times, as for example, crops and methods in Massachusetts and New Hampshire, and in New York and New Jersey. There are also chapters on the "Introduction of European crops," the "Introduction of domestic animals," "Farm implements and the use of fertilizers," and "Slavery." The latter part of the book is devoted to discussions of the relations of agriculture to commerce, and the commercial relations of the colonies and mother country, particularly with reference to products of field and forests.

The author makes a number of real contributions to our knowledge of early American agriculture. Sometimes his emphasis on certain well-known facts of history throws new light on those facts, as is the case with his chapter on "The influence of the manufacture of alcoholic beverages on colonial agriculture." He has gathered a vast amount of information about native and domesticated plants; he shows that the Indians gave far more assistance to the early American colonists than they are usually given credit for; he points out that the Indians had developed a number of varieties of maize. "Through the years, perhaps millenniums, which the Indians had cultivated corn they so modified its habits of growth that they had strains suitable not only for greatly varied climatic and soil conditions, but for many special purposes of use as well."

Notwithstanding its many good qualities, the book has some shortcomings. The reader would like to know much more about colonial aids to agriculture, about bounties, subsidies, prizes in various forms, and their effect on the development of colonial farming; about colonial regulations and their effect on agriculture. Something might have been added about the status of colonial markets, particularly the home markets for the farm products of the colonies. If the book is wanting in these respects, it is fair to the author to say that he recognizes these deficiencies. In fact, he suggests that these matters should be made the subject of future research.

I. LIPPINCOTT.

CARVER, T. N. *Elements of rural economics*. (Boston: Ginn & Co. 1924. Pp. vi, 266. \$1.48.)

*Elements of Rural Economics* is a thorough revision of *Principles of Rural Economics*, published by the author in 1911. In the first paragraph he states that "rural economics is that branch of the science of statesmanship which deals with agriculture and rural life as factors in nation building." This point of view can usually be traced through the book in the material added and omitted and the changes made. The new book dispenses with many terms commonly used in books treating with the principles of economics, but basic economic laws and principles are set forth in a clear-cut manner. Much of the material on English agriculture which was included in the old book has been omitted to good advantage. The historical economic development of agriculture in the United States is discussed at length under a slightly different classification than formerly. Not more than half a dozen pages were devoted to marketing and coöperation in the old book, but the new one includes a chapter on each of these subjects. In the chapter on marketing of farm products, speculation and the importance of standardization in the

marketing of farm products are the two topics considered at most length. In spite of a chapter summary—the only summary in the book—this chapter does not impress one as a well-organized discussion of marketing of farm products. The chapter on coöperation, on the other hand, is a constructive analysis of problems and basic factors entering into coöperation among farmers.

The author, in keeping with his purpose of treating his subject from the standpoint of nation building, gives less attention to what are known as farm management topics and more to the wider problems of agricultural economics, rural sociology, and rural organization. Considerable space is devoted to the factors of production and to the income flowing from them, but in very simple and lucid terms. The final chapter, entitled "Organization of rural life," is distinctive in that it is directional and constructive in character, rather than descriptive and analytical. The paragraphs devoted to types of rural organization, both commercial and social, would be materially strengthened if they were expanded and made somewhat more specific. An analysis of the so-called federal and centralized types of overhead coöperative marketing organizations, and the consumers' coöperative store of the Rochdale type, would add to the readers' grasp of the subject.

The former book had an extensive bibliography, but this feature is entirely omitted in this revision. The book covers a wide field and necessarily can touch only briefly on any one topic. Each chapter is followed by a few simple questions and the book is evidently designed as a text for beginners in the study of rural economics. This group of readers will find it one of the most satisfactory texts available.

ALVA H. BENTON.

CONNELL, I. and CHARLES, G. *The agricultural holdings (Scotland) act.* 1923. (London: W. Hodge. 1923. Pp. 463. 20s.)

CURTIS, H. A. *Nitrogen survey. Part II, General review of the nitrogen situation in the United States.* Supp. to Commerce Reports, May 5, 1924; Trade Inf. Bull., no. 226. (Washington: Supt. Docs. 1924. Pp. 63.)

DENIS, L. *Le pétrole en France.* (Paris: Dunod. 1924. 6 fr.)

ENFIELD, R. R. *The agricultural crisis: 1920-1923.* (New York: Longmans, Green. 1924. \$3.50.)

FETTKE, C. R. *Oil resources in coal and carbonaceous shales of Pennsylvania.* (Harrisburg: Dept. of Internal Affairs, Bureau of Topographic and Geological Survey. 1923.)

FOLSOM, J. C. *Farm labor in Massachusetts, 1921.* U. S. Dept. of Agriculture, bull. no. 1220. (Washington: Supt. Docs. 1924. Pp. 25.)

FUNK, W. C. *Costs and farm practices in producing potatoes on 461 farms in Minnesota, Wisconsin, Michigan, New York, and Maine for the crop year 1919.* U. S. Dept. of Agriculture, bull. no. 1188. (Washington: Supt. Docs. 1924.)

GATLIN, G. O. *Marketing southern-grown sweet potatoes.* U. S. Dept. of Agriculture, bull. no. 1206. (Washington: Supt. Docs. 1924. Pp. 46.)

GILLETT, R. L. *A study of farm labor in Seneca County, New York.* Doctoral thesis, Cornell University. Agricultural bull. 164. (Albany: N. Y. State Dept. of Farms and Markets. 1924. Pp. 69.)

GRAY, L. C. *Introduction to agricultural economics.* Social science textbooks, edited by R. T. Ely. (New York: Macmillan Co. 1924. Pp. xii, 556.)

This is a very welcome volume whose author is exceptionally well fitted for the task of writing a book on agricultural economics suitable (as he hopes) for young students as well as for the interested public. A successful career as a teacher of agricultural economics to beginners for a considerable time enables him to prepare a book on lines tested by classroom experience. His present position as economist in charge of land economics for the United States Department of Agriculture gives him an exceptional opportunity to take the viewpoint of the man of affairs and to consider the whole subject very broadly.

The book necessarily covers a broad field. I predict that the greatest regret of its readers will be the fact that of necessity the treatment of many important subjects must be very brief. Ample bibliographies following each chapter and numerous "special problems" supplement the text and may serve to acquaint the serious student with the more intensive aspects of the subject.

The subject is really presented in three parts. The first ten chapters deal with topics usually treated in books on farm management. In fact, the author so labels them. In chapters 11 to 18 the author discusses the broader aspects of the economics of the agricultural industry. The last eight chapters are devoted to agricultural prices and problems of marketing, both specific and general. As the author treats it, this gives a very well-balanced division of the subject.

The method of approach is inductive. The economic problems of the individual farmer on his farm are first presented to give a concrete background for the consideration of agriculture in its industrial aspects. The discussion of the general principles of prices, values and marketing is preceded by four chapters describing the methods and problems of marketing cotton, dairy products, eggs, vegetables and fruit respectively. For a number of years the reviewer has tested this method of presenting the subject of marketing to students and found it satisfactory.

The method of the book is descriptive and interpretive rather than argumentative; conservative rather than radical. Controversial discussion is reduced to a minimum. Emphasis is laid on clear statements of fairly well-established principles and on rather precise definitions. Forward-looking policies in regard to land settlement, land tenure and utilization are advocated. On the vexed question of cooperative organization, the author sits neither on the far right nor on the extreme left. Apparently he favors farmers' business corporations, but contents himself with description rather than recital of accomplishments present or prospective.

ALEXANDER E. CANCE.

GREELY, W. B. *Idle land and costly timber.* Farmers' bull. no. 1417. (Washington: Supt. Docs. 1924. Pp. 21.)

HENDERSON, B. *Buying a farm in an undeveloped region.* Farmers' bull. no. 1385. (Washington: Supt. Docs. 1924. Pp. 30.)

- HETTNER, A. *Grundzüge der Länderkunde*. 1 Bd.: *Europa*. Second, revised edition. (Leipzig: Teubner. 1923. Pp. 373.)
- ILLING, R. *Die Entwicklung der Seefischerei an der Nordseeküste Schleswig-Holsteins*. (Leipzig: H. Haessel. 1923. Pp. 71.)
- LEWIS, H. T. and MILLER, S. I., editors. *The economic resources of the Pacific Northwest*. (Seattle: Lowman & Hanford Co. 1923. Pp. xiv, 523.)

The eighteen chapters of this book are contributed by various authors and are devoted to the resources and development of the Pacific Northwest, including Washington, Oregon and Idaho. There is also extended discussion of such industries as lumbering, the canning business, flour milling, the production of paper and pulp, and the manufacture of iron and steel. Several chapters are devoted to the farming industries. There are sections on rail and water transportation, on irrigation and the production of fruits and, naturally, on the forest resources of the area.

Dean Hugo Winkenwerder of the College of Forestry, University of Washington, who wrote the chapter on forestry and lumbering states the following policy: "We should develop our lumber markets to the fullest extent so that the old virgin forests which are now over mature and are producing practically nothing, because decay probably more than overbalances new growth, may be replaced by vigorous young stands. If this old timber were gradually removed and the new growth established, the land would again become increasingly productive. The problem can only be met by a proper encouragement of the use of wood and by immediate provision for reforestation. When it is known that the present stand of timber may be exhausted before the new crop of merchantable timber can be produced, the problem becomes particularly urgent."

A chapter is devoted to mineral resources. The author of this section is of the opinion that the "mining industry of the future will probably be the phosphate rock of southeastern Idaho (of which there is an enormous quantity), and if development proves satisfactory and transportation difficulties are overcome, copper mining will undoubtedly increase in the Snake River region and in southeastern Oregon, with a contemporaneous increase in gold and silver production." The volume is amply provided with tables, graphs, and other illustrative matter.

I. LIPPINCOTT.

- LOWY, A. *Coal products chart*. (New York: Van Nostrand Co. 1923.)
- MCPHERSON, J. B. *Annual wool review, 1923*. Bull. of the National Association of Wool Manufacturers, vol. LIV, extra no 1. (Boston: Nat. Assoc. of Wool Mfrs., 50 State St. 1924. Pp. 214. 50c.)
- MICHOTTE, F. *Le coton, sa disparition, prochaine et irrémédiable, l'erreur de sa culture*. (Paris: Société de Propagande Coloniale. 1924. 3 fr.)
- MUSSET, R. *Le blé dans le monde*. (Paris: Berger-Levrault. 1923. Pp. 199. 9 fr.)
- NOURSE, E. G. *American agriculture and the European market*. (New York: McGraw-Hill. 1924. Pp. vii, 333. \$2.50.)
- QUICK, H. *The real trouble with the farmers*. (Indianapolis: Bobbs-Merrill Co. 1924. Pp. 215.)

- RAUSHENBUSH, H. S. *The anthracite question*. (New York: Wilson. Pp. xii, 165. \$1.50.)

This volume is the revised edition of a work originally issued in 1923. The author is a member of the Bureau of Industrial Research. The book treats of various aspects of the anthracite industry, its organization, the controversies between operators and miners, and the public issues involved. There is a discussion of the work and findings of the United States Coal Commission and of various proposals that have been made to regulate the industry. In general the book reflects the point of view of the miners, and to some extent that of the consumer, and is antagonistic to that of the operators.

D. L. W.

- SLOCUM, R. R. *Marketing eggs*. Farmers' bull. no. 1378. (Washington: Supt. Docs. 1924. Pp. 28.)

- TURPIN, E. H. L. *Cotton*. (New York: American Book Co. 1924. Pp. vi, 266.)

- WALLACE, H. C. *The wheat situation: a report to the president*. (Washington: Supt. Docs. 1923. Pp. 126.)

- The agricultural outlook for 1924*. U. S. Dept. of Agriculture, Misc. circ. no. 23. (Washington: Supt. Docs. 1924. Pp. 22.)

- Agricultural statistics for England and Wales, 1923*. Part I, *Acreage and live stock*. (London: H. M. Stationery Office. 1924. 1s. 6d.)

- The Jewish Agricultural Society, Inc., annual report for the year 1923*. (New York: Jewish Agri. Soc., 301 East 14th St. 1924. Pp. 59.)

- Mineral resources of the United States, 1921*. Part I, *Metals*. (Washington: Supt. Docs. 1924. \$1.)

- New England crop and live stock review, 1923*. (Wakefield, Mass.: V. A. Sanders. 1924. Pp. 73. 10c.)

Issued by the New England Crop Reporting Service (V. A. Sanders, statistician in charge) and the United States Department of Agriculture.

- The oil industry's answer: facts about the oil business its critics and the public do not know*. (Tulsa, Okla.: Petroleum Pub. Co. 1924. Pp. 86.)

Reprinted from *Oil and Gas Journal* (Tulsa, Okla.), March 20, 1924.

## Manufacturing Industries

### NEW BOOKS

- ADAMS, J. B. *The garment industries in Cincinnati*. Vocational pam. no. 3. (Cincinnati, Ohio: Public Schools, Vocation Bureau. 1924. Pp. 72.)

- DARBY, W. D. *Cotton—the universal fiber. A survey of the cotton industry from the raw material to the finished product, including descriptions of manufacturing and marketing methods and a dictionary of cotton goods*. (New York: Dry Goods Economist. 1924. Pp. 68.)

- HUNGERFORD, E. *Observations on an outstanding American industry—cement*. (Chicago: Portland Cement Assoc., 111 W. Washington St. 1924. Pp. 37.)

THORNLEY, T. *Modern cotton economics*. (New York: Van Nostrand. 1923. Pp. 361. \$5.)

*Directory of United States exporters of boots and shoes and other leather manufactures*. U. S. Dept. of Commerce, Misc. series no. 127. (Washington: Supt. Docs. 1924. Pp. 30.)

*The packing industry*. By the Institute of American Meat Packers. (Chicago: Univ. of Chicago Press. 1924. Pp. xv, 357. \$3.12.)

This volume contains eight lectures given under the joint auspices of the School of Commerce and Administration of the University of Chicago and the Institute of Meat Packers. The lectures are well edited, well organized, and unusually full of content for discourse of this description. The material of the volume covers practically the whole field of the packing business. Buying and selling policies, of course, come in for a full measure of discussion, because these are the important points of contact between the business and the general producing and consuming public. The volume contains, also, lectures on the packing plant and its equipment, on the operation of various branches of the business, such as pork, beef, and by-products, on financing the packing business, on the application of science to the industry, and the distribution of meat products. The introductory chapter contains a discussion of the organization, work, and policies of the Institute of Meat Packers. Mr. Thomas E. Wilson, who delivered this lecture, stated that the "Institute does not receive from members and redistribute to them reports of production, shipments, and stocks. It does not report sales," for the reason that the institute wishes to keep free "not only from blame-worthiness, but above suspicion."

I. LIPPINCOTT.

*Twenty-second annual meeting of the National Lumber Manufacturers Association, Chicago, April 17 and 18, 1924*. (Washington: Nat. Lumber Mfrs. Assoc., 402 Transportation Bldg. 1924. Pp. 75.)

## Transportation and Communication

### NEW BOOKS

ANDERSEN, H. *Die Privatgüterwagen auf den deutschen Eisenbahnen*. Beiträge zur Lehre von den industriellen Handels—und Verkehrsunternehmungen, 7. (Jena: Fischer. 1923. Pp. xvi, 204.)

BANHAM, W. J. L. *Can't we carry freight to your door?* Coördinated transportation series, no. 1. (New York: National Automobile Chamber of Commerce, 366 Madison Ave. 1924. Pp. 11.)

BROSSEAU, A. J. *Highway transportation and the farmer*. (New York: Nat. Automobile Chamber of Commerce. 1924. Pp. 11.)

ELY, O. *Railway rates and costs of service*. Hart, Schaffner & Marx prize essay in economics. (Boston: Houghton, Mifflin. 1924. Pp. 148. \$2.)

ELY, R. T. *Effects of the railways in the development of economics*. (Madison, Wis.: Institute for Research in Land Economics. 1924. Pp. 8.)

Reprint of a speech delivered before the American Railway Develop-

- ment Association at their annual meeting in St. Louis, 1923, and issued as a supplement to the *Institute News*, April, 1924.
- FRIDAY, D., director. *The place of railway transportation in our industrial structure*. Research Council, Report no. 1. (Washington: National Transportation Institute. 1924. Pp. 17.)
- GREGG, E. S. *Rate procedure of steamship conferences*. Supp. to Commerce Reports, Trade inf. bull. 221. (Washington: Supt. Docs. 1924. Pp. 16.)
- HANEY, L. H. *The business of railway transportation: traffic—rates—regulation*. (New York: Ronald. 1924. Pp. x, 613. \$4.)
- KNOOP, D. *Outlines of railway economics*. Second edition. (London and New York: Macmillan. 1923. Pp. 302. 5s.)
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### Trade, Commerce, and Commercial Crises

*The Flaw in the Price System.* By P. W. MARTIN. (London: P. S. King & Son., Ltd. 1924. Pp. x, 109. 4s. 6d.)

The author of this thought-provoking little book considers that the business cycle is the chief cause of most of the economic ills of mankind. He holds that poverty, discontent, revolution, international rivalry, and war are, in the main, the fruits of the existing oscillatory system of production. He feels that, unless business is stabilized, it is by no means unlikely that our present civilization is doomed to an early destruction. The man who holds such views has, of course, been impelled to search for the cause of the cycle, in the hope that, once this was discovered, the path to the remedy might also soon be located and, through the application of this remedy, the impending catastrophe might be averted.

Mr. Martin believes that he has been successful in his quest, and that he has isolated the force producing the cycle. His description of the way in which the cycle is generated seems to be the same in essence as that recently set forth by H. B. Hastings of the Pollak Foundation—namely, that, because of the failure of business to pay out all of its income in dividends, wages, etc., the money supply of the nation fails to complete its regular circuit on schedule time. Whenever this flow becomes irregular, the inevitable result is that would-be consumers are unable to convert their desires into effective demand and, in consequence, business languishes.

As the reviewer sees it, the heart of the problem on which Mr. Martin has been working is this: Why cannot the ever-rising costs accompanying a business boom be paralleled indefinitely by constantly increasing prices for the finished products? In other words, why does the boom always collapse? Mr. Martin believes that the numerical illustration which he presents shows clearly just what it is that,

from time to time, checks the operation of the industrial machine. The trouble, as he sees it, arises wholly from the fact that a situation finally comes to pass in which the money on hand is insufficient to meet the payments due, and, when this happens, business must stop until the money supply available for payment catches up. Mr. Martin's remedy for the trouble, while not clearly stated, appears to be to abolish business savings—in other words, to insist on business concerns paying out all their net earnings as fast as they come in so that consumers, as a body, will continually have a supply of cash on hand with which to purchase goods. He would supplement this policy by regulating the supply of credit money in such a manner that it would always be just sufficient for the needs of business, and, in this way, he believes the price level can be kept stable.

The reviewer has followed Mr. Martin's suggestion and, by aid of counters, has attempted to verify the money congestion pictured in his numerical illustration. The result of the experiment was that the stringency did not materialize when the money supply was sufficient to carry on several days' transactions instead of being barely enough to make one day's payments. This result suggests that there may be a flaw in the illustration as well as in the price system.

Although, in general, the explanation seems inadequate, one nevertheless scarcely feels justified, at the present stage of our knowledge of the business cycle, in asserting that Hastings and Martin are wholly in error when they point to a checking of the flow of money in its circuit as being an important factor in the mechanism of the cycle. The Scotch verdict of "not proven" seems at present the wisest one to render.

It appears to the reviewer that one of the chief weaknesses of Mr. Martin's thesis is that he overlooks the part played by credit in modern business. If one has money due to him in the near future, he is commonly in almost as good a position to demand goods as if he has money in hand. Does not this fact nullify the whole contention that irregularity in the flow of money is the chief cause of business cycles? There is no question about the desirability of stopping "the dance of the dollar," but it is difficult to see how a stable dollar will aid at all in helping selling prices to keep pace with rising costs. It seems reasonable to suppose that a fixed standard of value might lessen somewhat the amplitude of the cyclical waves, but the belief that the business cycle can be practically eliminated by this device seems to be optimism carried to an extreme.

The reviewer must also confess to a doubt that even the ironing flat of the cycle waves would lessen materially the amount of poverty, dissension, international trade rivalry, and other similar evils that beset mankind. He must also admit skepticism concerning the idea

that there is no longer any difficulty in producing as many goods as the people of the world need. Presumably, also, not many readers will endorse Mr. Martin's view that the discovery and mending of the "flaw" will aid much in saving civilization. However, could the author be satisfied with the less spectacular goal of stimulating more intensive reasoning concerning the nature and cause of the business cycle, he might rest assured that he has already attained success.

WILLFORD I. KING.

*Flushing, N. Y.*

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FINDEISEN, C. F. *Hermann Grossman, Grundriss der Handelswissenschaft*. (Leipzig: Dr. Max Gehlen. 1923. Pp. 464.)

GIGNOUX, C. J. *L'après-guerre et la politique commerciale*. (Paris: Armand Colin. 1924. Pp. vii, 200. 5 fr.)

The author gives an account of the commercial policy of the nations since the armistice. He is severe in his criticism of the export duty on coal imposed by England, and on the incoherence and instability of the existing tariffs. He regrets that the agreements made by the allies in 1916 for mutual supply were not allowed to develop into some permanent organization for international supply after the war, and he puts the blame for this failure on England first and next on the United States. He gives many interesting details of the various tariffs and discusses the effects of the most-favored-nation clause.

R. R. W.

GREEN, D. S. *Franco-American trade, 1921, 1922, and 1923*. Supp. to Commerce Reports, Trade inf. bull. 227. (Washington: Supt. Docs. 1924. Pp. 13.)

HUEBNER, G. G. *Agricultural commerce, the organization of American commerce in agricultural commodities*. New edition, revised and enlarged. (New York and London: D. Appleton & Co. 1924. Pp. xvi, 529. \$3.50.)

The new edition retains the plan of the original work, which appeared in 1915. More recent statistics have been inserted and new developments have been noted. Chapters have been added dealing with the grain export trade, the trade in dairy products, and coöperative marketing. In these chapters, the results of studies made during the last few years by the Federal Trade Commission, the Department of Agriculture, and private investigators have been utilized. The revision has been carefully made and the present work will prove very useful as a textbook for courses in marketing. The treatment is descriptive, not critical.

There is little discussion of the relative advantages of different marketing methods.

FRANK R. RUTTER.

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### Accounting, Business Methods, Investments and the Exchanges

*Competition in the Retail Distribution of Clothing—A Study of Expense or "Supply" Curves. Expense Levels in Retailing—A Study of the "Representative Firm" and of "Bulk Line" Costs in the Distribution of Clothing*. By HORACE SECRIST, director of the Bureau of Business Research. Series II, nos. 8 and 9. (Chicago: Northwestern University, Bureau of Business Research. 1924. Pp. 27; 46. \$1.00; \$2.00.)

These two volumes are continuous and consist of statistical studies of costs in the retail clothing trade. Previous cost studies by Taussig<sup>1</sup>, Wright<sup>2</sup>, and Simpson<sup>3</sup> have shown that in extractive and manufacturing industries great diversity of costs persists among competing establishments. These studies have shown that if the unit costs of such establishments be arrayed in order of magnitude and graphed, an ascending ogive curve will result, the curves for all industries studied

<sup>1</sup>"Price Fixing as Seen by a Price Fixer," *Quarterly Journal of Economics*, Feb., 1919, pp. 205-241.

<sup>2</sup>*Costs of Production in the Sugar Industry*, United States Tariff Commission, 1919, and "Value Theories Applied to the Sugar Industry," *Quarterly Journal of Economics*, Nov., 1917, pp. 101-121.

<sup>3</sup>A Statistical Analysis of the Relation between Cost and Price," *Quarterly Journal of Economics*, Feb., 1921, pp. 264-287, and "Further Evidence on the Relation between Price, Cost, and Profit," *Ibid.*, Feb., 1923, pp. 476-490.

showing a remarkable family resemblance. In the studies here reviewed Secrist finds that the same type of curve applies also to distributive industries as exemplified in the retail clothing trade.

Costs of 170 identical retail clothiers were obtained, the data covering the period from 1916 to 1920 inclusive, and selected so as to cover cities of different sizes. Whether the data were graphed for a single year or for the average of the five years and whether averaged for all cities or for a large or small city, the same type of curve appeared.

The most interesting contribution to economic science of the earlier volume, *Competition in the Retail Distribution of Clothing*, has reference to the permanence of the position of any given store on the cost curve. Previous studies, while admitting the likelihood of a given producer changing his cost relatively to that of others from year to year, had nevertheless stressed the idea of a marginal producer—the producer who just “broke even” and whose cost had a causal relation to normal price. Secrist shows that while there is clearly a “marginal cost,” the “marginal producer” is elusive. The forces of competition are constantly tending to force the low-cost stores of this year to a higher cost for next year, and the high-cost stores of this year to a lower cost for next year. Stores whose cost this year is near the average are likely to be found next year above or below the average. Yet these changes of position among the stores are compensatory to a remarkable degree. The cost curve as a whole differs but slightly in two successive years.

This shifting of position of individual stores on the cost curve, however, is by no means similar to that which would show itself, if their position were simply the result of chance. In that case, out of 100 stores, a store which ranked No. 1 this year with respect to lowness of cost would stand an equal probability in any succeeding year of ranking No. 100, No. 56, or any other number. On the contrary Dr. Secrist finds that while a given store is likely to hold a somewhat different rank in two or more successive years, the ranks are not likely to be very different. Using Pearson's correlation coefficients to compare the position of stores in a given year with their position in the first, second, third and fourth year thereafter, the coefficients with their probable errors were found to be  $.739 \pm .0118$ ,  $.591 \pm .0194$ ,  $.478 \pm .0283$ ,  $.501 \pm .0388$  respectively. In other words the “rent of business ability” shows itself in the retail distribution of clothing.

Using Dr. Secrist's figures the writer found it possible to compare by a graphical method the relative strength of the tendencies of individual stores, on the one hand to shift their position on the cost curve, and on the other hand to hold their rank in a fixed position. The data chosen were those for the five-year period 1916-1920 for

cities of from 10,000 to 20,000 inhabitants. In this group were 27 stores. Suppose, to take one extreme, that throughout the five-year period each store retained precisely the same rank, that is, that the store that ranked No. 1 in 1916 also ranked No. 1 in 1917, 1918, 1919, and 1920; and the store that ranked No. 2 in 1916 also ranked No. 2 in 1917, 1918, 1919, and 1920; and so on; then the sum of the ranks for the five-years would form an arithmetical progression, 5, 10, 15, . . . . . 135. The terms of this series may be laid off as ordinates at equal unit intervals along an axis of abscissas thus plotting a straight line whose slope is 5. To take the other extreme, suppose that the rank of a store in any one year had no correlation whatever with its rank in any subsequent or preceding year, then the sum of the ranks of each store for the five years would tend to oscillate at equal intervals above and below 70 as a mean. If these sums are graphed, a straight line fitted to them by the method of least squares should be approximately horizontal, that is, its slope would be 0. Taking the data as given, the ranks of the stores in the successive five years were added, arrayed, and graphed. A straight line, fitted by the method of least squares, was found to have the slope 4.155. It will be noted how little this slope differs from that found when the stores retained precisely the same rank from year to year, demonstrating (at least for the data selected) the paramount importance and persistence of the "rent of ability."

The second volume, *Expense Levels in Retailing*, using the same and some additional data, discusses the "representative firm" and "bulk-line costs." The concept of the "representative firm" as defined by Marshall, Taussig, and Seager is first developed, and then this concept is subjected to the test of statistical analysis. As would be anticipated, from the shifting position of individual establishment on the cost curve, the "representative firm" is found to be elusive, but a representative cost area is discovered. It includes all costs which range from 20 per cent below to 20 per cent above the average. Within this dispersion area in any given year are found nearly two thirds of the firms; and nearly two thirds of the business is done at costs falling within it. The identity of the firms, however changes. Out of the 170 stores studied for 5 years only 29 per cent remained in the representative cost area throughout the whole period, and out of the 120 stores studied for 7 years only 22 per cent remained for the whole period.

While Dr. Secrist explains at considerable length his reasons for selecting a dispersion area of 20 per cent each side of the average as the "representative cost area," it is to be observed that there is no sharp line of cleavage between representative and unrepresentative costs. He might have taken 19 per cent or 21 per cent with about as

good reason. The costs ascend by small graduations from the lowest to the highest, though the ascent is steeper both at the beginning and end than in the middle.

At the upper limit of the "representative cost area" Dr. Secrist places the "bulk-line" cost. It is obviously a cost which would cover the expenses of all firms within the representative cost area and all whose cost is less than that of the lowest representative cost, but it would not cover the expenses of those firms whose costs are higher than the highest in that area. From 85 to 95 per cent of the business, and from 84 to 97 per cent of the firms are "protected" by the bulk line cost.

The volume closes with a discussion of the saving to society resulting from a reduction of costs from the average of all, to the average representative, or to the average of all below the bulk-line.

One of the most interesting questions connected with "the representative" firm and the "bulk-line cost" is their relation to price. This question is not discussed; indeed from the nature of the data obtained such a discussion would perhaps be impracticable. Retail clothiers sell a great variety of goods varying in character, style, and quality and the connection between the price of any specific article and the cost of doing business would be at best remote.

Economists have generally held that there was some sort of correlation between "cost of production" and "normal" price. This is clear enough, but the causal relation is not so clear. Is price determined by cost of production, or is cost of production determined by price? Taussig is quoted as holding that, where differences in cost do not rest on physical causes, "prices tend to adjust themselves to the expenses of production at the hands of the representative firm," and Seager is quoted to something the same effect. "The expenses of production of representative firms may . . . be described as the normal expenses of production and the prices corresponding to them as the normal prices." Secrist, however, has shown that there is no single representative firm and that even in what he calls the "representative cost area" there is a considerable range of costs. He states (p. 43) "that while data are not available to establish the relationship between cost and price, long-run representative costs may be defined and stated . . . The tendency is for long-run costs to conform to average costs in the bulk-line areas, that is, at positions somewhat below average costs as trade is now conducted." But is this the cost to which price tends to conform? The fact that the cost curves at the end of five years show practically the same dispersion as at the beginning would seem to indicate statistical constancy as to a permanent difference in costs rather than a tendency to settle at any one particular cost with the lapse of time. Although there is shifting,

"rent of ability" is shown to be dominant; that is, if the costs of each individual firm be averaged for a series of years, these averages will still form an ascending ogive cost curve. If only firms that have been able to persist throughout the entire period studied be admitted to the above averages, and the period studied be made long enough to interpret persistence through it as "permanence," then it may be assumed the supra-marginal establishments have been eliminated, and, as a firm can not "permanently" remain in business unless the price is at least equal to the cost, the highest cost in the curve may be regarded as the price-determining cost and called the bulk-line or marginal cost. The bulk-line cost, so defined, however, would only by accident coincide with the bulk-line cost as defined by Dr. Secrist. But the placing of the bulk-line cost at the upper limit of the "representative cost area" is somewhat arbitrary, especially as the boundaries of that area, though arbitrarily fixed at 20 per cent up and down from the average, are in reality somewhat adumbral.

PHILIP G. WRIGHT.

*Institute of Economics,  
Washington, D. C.*

*Frederick W. Taylor, Father of Scientific Management.* By FRANK BARKLEY COPLEY. In two volumes. (New York: Harper & Brothers. 1923. Pp. xxviii, 467.)

Our thinking on industrial subjects would be enormously enriched, and might be correspondingly improved, by the addition to our literature of a large number of competently prepared biographies of leaders and of craftsmen in the industrial world. The need for such a type of biography has been particularly great in the case of Frederick W. Taylor. This is true not only because he has contributed more than any other to the professionalizing of industrial management, but because the bluntness and brevity of his speech and of his writings and their concentration on specific problems of shop management left little place for the personal factors and historical setting so essential to a true interpretation of Mr. Taylor's work and contribution. Mr. Taylor has needed a Boswell—in Copley he has found him.

Mr. Copley is, by profession, a journalist, and had known Mr. Taylor intimately and sympathetically. At the outset, he puts his readers on their guard by confessing frankly: "It would be idle for the writer to pretend that he was anything but very warmly attached both to the person of Frederick W. Taylor and to his work." There are times when the reader is conscious of a tendency for Mr. Copley's sympathetic enthusiasm to lead him into unnecessary praise; but such cases are rare, and fortunately so in the case of Taylor, whose achievements are their own praise. Moreover, Mr. Copley's enthusiasm for

the subject does not prevent his being an honest reporter. That he has such enthusiasm is merely an illustration of one of Fred Taylor's outstanding strengths—his ability to win loyal disciples and to galvanize them into action.

In the preparation of this interpretative biography, Copley has built upon his intimate personal acquaintance with Fred Taylor and his work by an exhaustive examination of the literature of management and of Taylor's writings and correspondence in particular. Material has been carefully assembled by interview and letter from a long list of persons who had worked with Taylor or who had had an opportunity to know of Taylor and his work or of the setting in which his life was lived and his work done. By this careful collection of material a great service has been performed for all students of industry and for students of scientific management in particular. Both Mr. Taylor and his work will be better understood, better appreciated, and more widely known on account of Mr. Copley's work.

To this exhaustive collection of material, Copley brings the facile style of a professional writer and the discriminating judgment of a well-read person informed concerning his subject. Consequently, the treatment, though in a few spots attenuated, is never dull.

The first volume is divided into four "books"—the first being devoted to Taylor's "Ancestry and boyhood," the second to "His general work at Midvale," the third to "Developing his system at Midvale," and the fourth to "The consulting engineer in management." The second volume is divided into three books. "The great adventure at Bethlehem" is the first; and "Serving the public without pay" is the second. The last book contains chapters describing the activities of the closing years of his life and contains an interesting and entirely frank statement of Mr. Taylor's on "Labor leaders and unions." These seven books are arranged so as to present a chronological account of Mr. Taylor's life and work.

One of the fine things one gets from the book is the picture of Fred Taylor, the man. Existing writings could leave readers who were unacquainted with Mr. Taylor personally with the impression that he may have been either a divine paragon or a driving boss with a relentless will. It remained for Copley to make Taylor human to strangers, to bring out his humor, his kindness and sympathy, his spirit of human service, as well as his inexorable scientific spirit, iron will and Puritanic sense of duty that led acquaintances to say: "To tell Fred Taylor anything was impossible was just about the one best way to stimulate him to go after it." But in Taylor the love of science dominated aesthetic impulses.

From a reading of *Frederick W. Taylor* one gets an opportunity to think through the problems which confronted Taylor, in the order

in which they presented themselves to his mind. We realize with Copley that:

For weighty reasons largely pertaining to the wage problem and the general contentment of his men, but all, at the last analysis, pertaining to the economy of manufacture, he determined to set for his men definite tasks, thereby establishing for them high standards of accomplishment. To do this he had to standardize their methods. Also he had to standardize all those shop conditions upon which standards of accomplishment depend. At the same time he had to look to the maintenance of his standards. Involved in all this was system-building and organization-building of the most intensive kind: the devising or selecting of standard managerial methods and mechanisms for controlling all the methods and conditions of work; the centralization of this control in a department; a new definiteness of function and of responsibility; the assignment along correct psychological lines of clean-cut tasks to planners and executives as well as to executors; the high training of personnel in industry, skill, and democratic coöperation.

By thinking through the problems with Mr. Taylor, an impression of the essential *unity* of scientific management is gained that cannot be secured so well by reading all of Mr. Taylor's own writings. Reading that "scientific management is seventy-five per cent analysis and twenty-five per cent common sense," one understands what to Mr. Taylor was the really fundamental principle.

Next to the personal information about Taylor, the most important contributions of the book are the detailed descriptions of his work at Midvale and at Bethlehem, where there is highly illuminating material that would soon have been lost had not Mr. Copley brought it together. The interpretation of the setting both in the factories and in the period in which Mr. Taylor's work was done, is worthy of praise. In the chapter on labor leaders and unions, Mr. Taylor's highly individualistic views are stated frankly as well as his criticisms of unions and his reasons for holding that control should not be shared by management with organized groups of workers.

JOSEPH H. WILLITS.

*University of Pennsylvania.*

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- BLACK, H. C. *Hand book of the law of bankruptcy.* (St. Paul, Minn.: West Pub. Co. 1924. Pp. 767. \$4.50.)
- BLED SOE, A. J. *Business law for business men, state of California.* Eleventh edition, revised. (Los Angeles: Author. 1923. Pp. 1172.)
- BLOOMFIELD, D. *The modern executive.* (New York: Wilson. 1924. Pp. vii, 263. \$2.25.)

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- EWER, B. C. *Applied psychology*. (New York: Macmillan. 1923. Pp. 480. \$2.50.)
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- ✓ READ, H. E. and HARVEY, C. J. *Bookkeeping and accounting.* Complete. Read system of commercial texts. (New York: Macmillan. 1924. Pp. xiv, 207. \$1.48.)
- REED and WASHBURN. *Blue sky service.* (New York: Dixie Business Book Shop, 140 Greenwich St. 1924. \$15.)
- ROE, E. T. *New American business cyclopedia; a compendium of useful information and a guide to successful business methods, together with advice and instructions, how to avoid common errors and mistakes of business.* (Chicago: G. G. Sap. 1923. Pp. 511.)

- SALIERS, E. A. *Depreciation principles and applications.* (New York: Ronald Press Company. 1922. Pp. vi, 590. \$5.)

This volume is a revision and expansion of the author's former work, *Principles of Depreciation*. While nearly every topic treated in the smaller book has been amplified in this, the author has made significant additions regarding the treatment of depreciation in the federal income tax regulations and by the courts in valuation proceedings; also, as regards the materials appearing in the five appendices.

The present volume, in the opinion of the reviewer, is much better organized than was the earlier treatise. The book is divided into four general sections: General Principles, Depreciation and the Income Tax, Depreciation and Public Utility Valuation, and Appendix. Appendix E, consisting of 78 pages, is given to depreciation rates of specific assets; although not comparable to the similar material contained in the *Accountants' Index*, it will be found of practical assistance to the individual who needs such information. There are so many controversial points regarding depreciation that it could scarcely be expected that the reader would agree always with the author; on the whole, however, the book is thought-provoking and contains materials available only as a result of careful research.

J. HUGH JACKSON.

- SCHELL, E. H. *The technique of executive control.* (New York: McGraw-Hill. 1924. Pp. x, 133. \$1.75.)

SELLS, E. W. *The natural business year and thirteen other themes.* (Chicago: A. W. Shaw Co. 1924. Pp. iii, 275. \$4.)

SINGER, B. *Patent laws of the world.* (Hammond, Ind.: W. B. Conkey & Co. 1924. Pp. 303.)

STURGIS, H. S. *Investment—a new profession.* (New York: Macmillan. 1924. Pp. xiii, 210. \$2.)

WILDT, E. H. *Cost accounting in a metal stamping plant.* Official Pubs., vol. V, no. 19. (New York: National Assoc. of Cost Accountants. 1924. Pp. 19. 75c.)

*American bankruptcy reports.* New series, annotated, reporting the bankruptcy decisions and opinions in the United States, of the federal courts, state courts and referees in bankruptcy. Vol. 1. (New York: M. Bender & Co. 1924. Pp. xxxi, 832.)

*Annual report, Committee on Public Service Securities, Investment Bankers Association of America.* Adopted by twelfth annual convention, October 29, 1923. (Chicago: I. B. A. of A., 105 So. La Salle St. 1923. Pp. 15.)

*Business research; the foundation of modern marketing.* (New York: Joseph Richards Co., Inc., 247 Park Ave. 1923. Pp. 15.)

*Financial statement ratios of general, grocery, hardware, and drug stores in 1923.* Nebraska studies in business, no. 9. (Lincoln, Neb.: Extension Division, Univ. of Nebraska. 1924. Pp. 45. \$1.)

*A foundry cost system.* Official pubs., vol. V, no. 17. (New York: National Assoc. of Cost Accountants. 1924. Pp. 14. 75c.)

*Mortgages on homes in the United States, 1920. A report on the results of the inquiry as to the mortgage debt on homes other than farm homes at the fourteenth census, 1920.* Census monographs, II. (Washington: Supt. Docs. 1923. Pp. 277. \$1.25.)

"The only previous census inquiry as to mortgage debt covering both farms and homes not on farms was made in connection with the census of 1890. In 1900 and 1910, however, the subject was covered to the extent of ascertaining, in connection with the classification of homes by tenure, the number of homes owned under mortgage; and in case of farms the amount of mortgage debt on owned farms was reported on the agricultural schedule in 1910, and the figures were published in the regular census reports on agriculture."

The monograph was prepared under the supervision of Charles S. Sloane and Thomas J. Fitzgerald, of the Census Bureau, and the manuscript was edited and revised by Dr. R. T. Ely.

*New York Stock Exchange, report of the president, May 1, 1923 to May 1, 1924.* (New York: N. Y. Stock Exchange. 1924. Pp. 32.)

*Report of the Federal Trade commission on house furnishings industries.* Vol. 2, *Household stoves.* (Washington: Supt. Docs. 1924. 20c.)

*Report of the Federal Trade Commission on the radio industry.* (Washington: Supt. Docs. 1924. 40c.)

Covers development of industry, control of patents, practices relating to manufacture and sale of radio apparatus, list of tables, exhibits, etc.

*Theory and practice of selling.* (San Francisco: Calif. College of Commerce. 1923.)

## Capital and Capitalistic Organization

### NEW BOOKS

FLECHTHEIM, J. *Die rechtliche Organisation der Kartelle*. Deutsches Kartellrecht, 1. (Mannheim: Bensheimer, 1923. Pp. vi, 344.)

HEILMAN, R. E. *Public utilities—a series of six lectures delivered to employees of Public Service Company of Northern Illinois*. (Chicago: Public Service Co. of No. Ill. 1923. Pp. 125.)

WHITE, F. *Supplement to White on corporations*. Ninth edition, containing stock corporation law of 1923 and amended sections of general corporation law, etc. (New York: Baker, Voorhis & Co. 1923. Pp. viii, 243.)

*Proceedings of the Middle West Utilities Company conference held in Chicago, October 24-26, 1923*. (Chicago: Middle West Utilities Co. 1924. Pp. 282.)

## Labor and Labor Organizations

*Miners' Wages and the Cost of Coal: an Inquiry into the Wages System in the Bituminous Coal Industry and Its Effect on Coal Cost and Coal Conservation*. By ISADOR LUBIN. Institute of Economic series of investigations in international industry and labor. (New York: McGraw-Hill Book Company, Inc. 1924. Pp. xiv, 316. \$2.50.)

To one who expects to find any extensive discussion or measurement of the relation of miners' wages to the cost (or price) of coal, the title of this volume, the first in the series, is somewhat misleading. The work is confined to a full and admirable description of the machinery of establishing wage rates, and a critical discussion of its actual operation.

Parts I and II are largely descriptive of mining methods and occupations and of the structure and application of the wage-making machinery. Part III is chiefly an analytical study of the present wage-making system, while part IV, largely a summary and discussion of material previously described, touches briefly on the relationship of the course of wage rates to the consumer's coal prices and contains suggestions for a readjusted wage system. There follow eight appendices, the most important being the one on "Some suggested changes in the wages system and their probable results," a well arranged bibliography, and an index.

The investigation, as set forth in the introduction (pp. 8 and 9) attempts to answer the following questions:

I. What are the economic principles that underlie the present wages system?

II. How have these principles been applied to the determination of wage rates?

III. What is the form of the wage structure built on them?

IV. What effect has the wages system in the organized coal fields had upon: (a) the general consuming public; (b) the operator; (c) the miner.

The descriptions in part I of the methods of mining coal and of the various occupations furnish the non-technical reader with a good mental picture that assists him in understanding many of the points involved in the subsequent discussions of wage rates that would otherwise be obscure. There follows a brief, but sufficient, description of the agencies for adjusting wage rates, including an account of the United Mine Workers of America, various employer associations and the wage-making machinery in operation in the central competitive field. The system of using a basing point in each of the four states in this field (Illinois, Indiana, Ohio and western Pennsylvania) for which certain rates of wages and working conditions are agreed upon at the Interstate Joint Conferences, is carefully described.

In parts II and III the author discusses the theory on which wage rates are based and traces in considerable detail its application in actual rate making. At the outset he makes clear (chapter 4) the radical difference between the interpretation placed by the operators and miners on the principle of "competitive equality," the operators contending it means access to the market for all operators, irrespective of variations in mining conditions, the miners insisting it means uniform minimum earnings for all miners regardless of local conditions. The principle is directly applied through a system of differentials from the basic point rates to meet local conditions. Through most of part II and all of part III there are detailed discussions of the inconsistencies and illogical adjustments in the wage structure resulting from attempts to apply differentials based on one or the other of the two interpretations of "competitive equality." In practice, the local results attained reflect the relative strength of the operators or miners when making their collective bargain.

The relation of wage rates to the price of coal is touched upon in chapter 12, the first chapter of part IV. Here the author is less convincing in his statistical presentation than in his earlier discussion. This may be attributed perhaps to the scarcity of pertinent statistical data available to him at the time the book was being written, forcing him to rely largely on ex parte figures or on data of too limited scope to warrant general conclusions. Should future editions of this book be issued this chapter should be revised in the light of the information that has subsequently been made available by the United States Coal Commission in its reports, *Wage Rates in the Bituminous Coal Industry* and *Cost of Production of Bituminous Coal*.

The conclusion of the author is that the influence of the existing system of wage differentials has been to keep the poorer mines in

operation and thereby place a burden on both the efficient operator and the consumer; the former having to compete with subsidized inefficiency, the latter to pay undue prices. He says (p. 275), "In the last analysis the system of freight and thin-vein differentials must be looked upon as an economically unjustified institution." To correct this, Mr. Lubin recommends the removal of the various differentials or a great reduction in their range. He sums up as follows (p. 289):

(1) In so far as the wages system provides relatively lower wage rates for disadvantageously located and thin-vein properties it makes possible the operation of mines that have no economic justification. (2) The wages system to a degree, then, is responsible for the overexpansion that today characterizes the bituminous coal industry. (3) This overexpansion has brought with it irregularity of operation, excessive costs and waste of our coal resources. It accounts in large part for the annual loss of over 30 per cent of the miner's possible working time; it makes necessary the maintenance of some 200,000 surplus miners; it adds to the consumers' coal bill some \$100,000,000 of overhead charges for periods of shutdowns; and it leads to the wasteful exploitation of our coal fields. (4) These evils can be eliminated in some degree by a change in the wages system. The decision as to whether or not such a change will be made lies immediately with the mine owners and the union.

The author has been successful in making a clear and readable presentation of an involved technical subject. Readers may well take issue with the emphasis laid on the importance of the effect of a readjustment of the wages system in the settlement of the complex coal problem of today and be of the opinion that there are far more important disturbing factors than the granting of differentials in determining wage rates. But, while not the last word on the final solution, Mr. Lubin's able presentation of his subject is certainly a positive and forward contribution to the more complete understanding of one of the most important problems confronting the nation.

DAVID L. WING.

Washington, D. C.

#### NEW BOOKS

ANDREWS, J. B. *Needless coal mine accidents: a program for their prevention*. Reprinted from American Labor Legislation Review, March, 1924. (New York: Am. Assoc. for Labor Legis., 131 East 23rd St. 1924. Pp. 15. 10c.)

COWDRICK, E. S. *Manpower in industry*. American business series, R. C. McCREA, general editor. (New York: Holt. 1924. Pp. x, 388. \$2.50.)

GEYER, C. *Der Radikalismus in der deutschen Arbeiterbewegung. Ein soziologischer Versuch*. (Jena: Fischer. 1923.)

HEARNshaw, F. J. C. *Democracy and labor*. (New York: Macmillan. 1924. Pp. xvii, 274. \$4.25.)

Sequel to *Democracy at the Crossways*.

KOPALD, S. *Rebellion in labor unions*. (New York: Boni & Liveright. 1924. Pp. 293. \$2.)

LEENER, G. DE. *L'organisation du travail et la question ouvrière*. (Brussels: Lambertin. 1924.)

MEINE, F. *The introduction and development of the works committee in the Dennison Manufacturing Company*. Materials for the study of business; cases and problems, no. 7. (Chicago: Univ. of Chicago Press. 1923. Pp. 63. 40c.)

MYERS, J. *Representative government in industry*. (New York: Doran. 1924. Pp. xi, 249. \$2.)

PUGH, G. *Working women and children in Pennsylvania: an analysis of the occupational and the manufacturing sections of the fourteenth United States census*. (Philadelphia: Consumers' League of Eastern Pennsylvania, 818 Otis Bldg. 1923. Pp. 34.)

*American labor year book, for 1923-1924*. Vol. V. (New York: Rand School of Social Science. 1924. Pp. 548. \$3.)

The new edition contains a large amount of useful information concerning the labor movement, and is especially valuable because of the excellent accounts of the newer developments in the United States, such as labor banking and workers' education. The sections on coöperation abroad and trade unionism abroad bring together in convenient form for American readers the most recent information on foreign labor matters. There are also sections dealing adequately with the more usual topics, such as labor legislation, court decisions, trade union organization, etc. A good index adds greatly to the value of the book.

G. E. B.

*Court decisions on Workmen's Compensation law, November, 1922, to February, 1924*. Special bull. 123. (New York: N. Y. Dept. of Labor, 124 East 28th St. 1924. Pp. 135.)

*Glass trade: comparison of different shift systems*. Report by Industrial Fatigue Research Board. (London: H. M. Stationery Office. 1924. 1s. 6d.)

*Hours of labour in industry: Netherlands*. Studies and reports, Series D (Wages and hours), no. 11. (Geneva: International Labour Office. 1923. Pp. 31. 20c.)

*Labor turnover in Nebraska department stores*. Nebraska studies in business, no. 8, by the Committee on Business Research. (Lincoln; Neb.: Extension Division, Univ. of Nebraska. 1924. Pp. 19. 50c.)

*Labour legislation in Canada, 1923*. (Ottawa: Dept. of Labour of Canada. 1924. Pp. 84.)

*Labour organization in Canada, 1923—Thirteenth annual report*. (Ottawa: Dept. of Labour. 1924. Pp. 285. 50c.)

*Personal circumstances and industrial history of 10,000 claimants to unemployment benefit, November 5 to 10, 1923*. Report of Ministry of Labour inquiry. (London: H. M. Stationery Office. 1924. 3s.)

*Report on the development of facilities for the utilisation of workers' leisure*. Night work in bakeries. Weekly suspension of work for 24

hours in glass-manufacturing processes where tank furnaces are used. International Labour Conference, reports I, IV, and III, Sixth session. (Geneva: Intern. Lab. Office. 1924. Pp. 112; 91; 77.)

*Some references to material on the development of relations between railroad managements and railroad employees that emphasize coöperation.* (Washington: Library, Bureau of Railway Economics. 1924. 29 cyclostyled sheets.)

*Statement of Ward Thoron, treasurer, Merrimack Manufacturing Company, Febraury 13, 1924, before the Massachusetts Committee on Labor and Industry.* (Merrimack, Mass.: Author. 1924. Pp. 25.)

*Two studies on rest pauses in industry by investigators for the Industrial Fatigue Research Board.* (London: H. M. Stationery Office. 1924. 1s. 6d.)

*Variety in repetitive work.* Report of the Industrial Fatigue Research Board. (London: H. M. Stationery Office. 1924. 1s. 6d.)

*Wage earners and the tariff.* (New York: Fair Tariff League, 2 Rector St. 1924. Pp. 10.)

Reprinted from *Brotherhood of Locomotive Engineers' Journal*, March, 1924.

### Money, Prices, Credit and Banking

*Farm Credits in the United States and Canada.* By JAMES B. MORMAN. (New York: The Macmillan Company. 1924. Pp. xv, 406. \$3.50.)

The best chapters in this useful handbook are those which describe the federal farm credit legislation enacted in recent years and what has been done under it. There is a good chapter on state systems of farm loans and two chapters on rural credits in Canada. From his long contact with agricultural problems and his present position as economist of the Federal Farm Loan Board, the author is well fitted for the descriptive portion of his task. But wherever he deals with theoretical matters, he is less satisfying.

There is but little criticism of the specific provisions of the laws and few suggestions for improving them; yet the tone of the book is one of disappointment over the outcome of farm credits legislation. This pessimistic note is not due to a belief that these measures have failed to improve credit facilities for farmers. Interest rates have been reduced everywhere, in some regions very substantially; they have been made more uniform; fees and expenses have been standardized and reduced; and the amortization plan has left the borrower in control of the time of payment. But Mr. Morman believes that these advantages have been more than offset by the creation of a mass of tax-exempt securities, making an indirect tax burden on the farmer along with others; by the great increase of farmers' indebtedness; and by the increase in the price of land, which he does not seem to associate

with the fall in the interest rate. The constantly recurring complaint is that the new system of farm credits, instead of helping the farmers out of debt has enabled, if not caused, them to plunge more deeply into debt. "No greater crime has ever been committed against agriculture than the too rapid increase of credit facilities." In the amortization plan from which so much was expected, he finds more of danger than of safety. Borrowing has been encouraged by the prospect of long-deferred payments; but there is no magic after all in amortization, as many are finding out. Obligations have to be met and larger initial payments have to be made than under the straight mortgage; defaults occur and foreclosures ensue just as under the old plan. In the very security given the bonds of the land banks, leading to their purchase in distant money markets, the author sees a danger "to which little or no attention has hitherto been given in farm finance." Outside capital, while flowing into a community, may produce an appearance of prosperity, but when the current turns, when payments have to be made to the money centers, then strangulation begins and financial death finally comes "to those communities afflicted with credit from other than local sources." This idea is, of course, by no means a new one. We heard much of it during the Granger-Populist period when the East was said to be draining the West of its substance.

Is there anything in the volume of agricultural debts to suggest a "crushing burden" or one that threatens to make "financial serfs" of farmers? Their mortgage debt amounts to 8 or 8.5 billions, their store debts to one or two billions more, advances made by the War Finance Corporation to about 100 millions, and their unsecured obligations and those secured by chattels might carry their total indebtedness up to 12 or 13 billions. Even if it were 15 billions, the figure, while impressive, is less than one-fifth of the value of farm property and less than the value of one year's product of the farms. Probably few industries would show so small a ratio of debt to the value of property.

But is there any other industry in which borrowers pay 6.1 per cent for their most favored loans and for large amounts 7.8 or 10 per cent, and use the funds to pay for property that yields an average return of, say, 3 per cent? In order to succeed under such conditions, whether he be within sight of the money centers or a thousand miles away, a farmer must do far better than the average in making his loans or in working his land. This relation between the earnings of land and the price of loans is not temporary but permanent. It is not merely how to pay off debt, but how to pay it off under such conditions that constitutes the real "enigma" which the author, strangely enough, turns over (ch. 20) to the statesmen. He suggests merely that for the future they let rural credits alone. It would be eminently

in place in such a book to point out the causes of high land prices which the author, but not the land owner, deplors; or, in other words, the reason for the low rate of return on land. It is customary to explain the fact by the security of farm investments, by the prestige which goes with land ownership, and by the expectation of a rise in the price of land. Mr. Morman shows us, as to the first, that although land cannot burn up, it may wear out even during the period it is being paid for, and that there is considerable danger of the loss of title through foreclosure; as to the second, that the ownership of mortgaged land is more suggestive of "financial serfdom" than of prestige. Though his remarks do not lead to this conclusion, the logic of the facts does: that the chief cause at work to force the price of land to such a point that the average rate of return is less than the interest on farm loans, is found in speculation for the rise. What are we to expect the statesmen to do about it? For obvious reasons, nothing at all. Nor would the farmer have them do anything. He will continue to bid up the price of land, as he has done for the last century and a half, to a point above what it is worth for present use, relying upon that great friend of the land owner, "the general progress of society," to justify his judgment.

G. O. VIRTUE.

*The University of Nebraska.*

*Modern Foreign Exchange.* By HUBERT C. WALTER. (London: Robert M. McBride Company. 1924. Pp. xi, 194. \$2.00.)

Of the making of books on foreign exchange, there appears to be no end. This is but another of the many heritages of the World War. There is always room, however, for a volume such as that of Mr. Hubert C. Walter. Mr. Walter was formerly lecturer on the exchanges before the Institute of Banking and the Municipal School of Commerce of Manchester, England, and this book is based upon his lectures.

About two thirds is given over to the customary discussion of gold points, interest rates, types of bills of exchange, loans, credits, the silver exchanges, etc., while the remaining one third considers such matters as inflation, the purchasing power parity theory, the post-war exchanges, etc. There appears to be no logic, rule, rhyme or reason that determines the order in which the author has arranged the various chapters.

Mr. Walter states that his main purpose in writing the book has been to "explain the essentials of modern exchange movements in a form which will be comprehensible to the intelligent person of average education who is not a professional economist." I fear, however, that he has fallen far short of his ambition. In fact, he has assumed a far greater knowledge of financial terms and practices than

one would ordinarily find even among high-grade business men. The book is not heavy in style or scholarly in character, yet it will make difficult reading for those who are unacquainted with the field of the exchanges, because so many matters are inadequately explained or are based upon an assumed knowledge which readers do not ordinarily possess. The work also shows very clearly the results of Mr. Walter's slight contact with the field of practical banking and his more intimate acquaintanceship with mercantile company trading.

A few errors are scattered here and there throughout the discussion, such as frequently appear in similar works, yet none is so serious as to mar the value of the book. Many readers will find themselves unable to agree with Mr. Walter in his statement that the conditions of 1920, not those of 1914, are "normal" and are "in the main destined to be permanent." Still others will be startled by his frank admission that New York today occupies a position of financial supremacy in the world's affairs.

The book is more up-to-date than Withers' *Money Changing*, yet it is not as clear or as popular in its style. Neither is it as complete or as scholarly in its character as Spalding's *Foreign Bills and Foreign Exchange*, which I personally consider to be the best English volume that has been published since that of Lord Goschen.

IRA B. CROSS.

University of California.

#### NEW BOOKS

- BROSSARD, E. B. *Rural credits in Utah*. Utah Sta. circ. 48. (Salt Lake City: Utah Exp. Sta. 1923. Pp. 42.)
- BRUNTON, J. *Bankers and borrowers*. Second edition, revised and enlarged. London University historical series, no. 3. (New York: Longmans, Green. 1924. Pp. viii, 135. \$2.50.)
- CHLEPNER, B. S. *La question du change en Belgique*. (Brussels: Imp. Ferdinand Larcier, 26 Rue des Minimes. 1924. Pp. 40. From *La Revue Bancaire Belge*, January-April, 1924.)
- DESPLAN, P. *La Banque de France dans ses rapports avec les finances publiques de 1914 à 1920*. Thèse pour le doctorat. (Montpelier: Imp. L'Arbeille. 1923. Pp. 97.)
- EINZIG, P. *Le mouvement des prix en France depuis 1914*. (Paris: Rousseau & Cie. 1923. Pp. 107.)
- EUCKEN, W. *Kritische Betrachtungen zum deutschen Geldproblem*. (Jena: Gustav Fischer. 1923. Pp. iii, 83.)
- GRAHAM, M. K. *An essay on gold, showing its defects as a standard of value and suggesting a substitute therefor*. Also, a translation of *The Death of Gold*. (Graham, Texas: Author. 1924. Pp. 176.)

———. *The see-saws. Supplemental to An essay on gold.* (Graham, Texas: Author. 1924. Pp. 45.)

In these two pamphlets the author briefly narrates the history of the metallic standard, the functions of gold, the defects of the gold standard, the characteristics and service of the tabular standard, and finally advocates the adoption of the goods-dollar plan, as proposed by Professor Fisher. The author has positive convictions but presents the argument fairly, based on wide reading, and with an entertaining style. Particularly is this true of the first chapter of *The See-Saws*. *The Death of Gold* is the translation of an article by Ferrero, originally published in *L'Illustration*, April 15, 1922.

HELFFERICH, K. *Das Geld.* Sixth, newly revised edition. (Leipzig: Verlag von C. L. Hirschfeld. 1923. Pp. 674.)

HEPBURN, A. B. *A history of currency in the United States.* Revised edition. (New York: Macmillan. 1924. Pp. xxiv, 573. \$3.)

This revised edition (first published in 1903; rewritten in 1915) contains several new chapters, covering 50 pages, dealing with the post-war period, the crisis of 1920, and the gold and rediscount policy of the federal reserve banks. Dr. B. M. Anderson, Jr., had general supervision of the preparation of the new chapters. In the preface to this revised edition Mrs. Hepburn briefly describes Mr. Hepburn's relation to the establishment of the federal reserve system, and refers to Senator Aldrich's original opposition to "meddling with the currency system." "He finally told Mr. Hepburn that his purpose [in creating the National Monetary Commission] was to sidetrack the matter."

HÖPKER, H., editor. *Die deutschen Sparkassen, ihre Entwicklung und ihre Bedeutung.* (Berlin: Verlag f. Bargeldlosen Zahlungsverkehr. 1924. Pp. 204.)

KESING, L. *Standardized or index money? A defense of tested monetary standards.* (New York: Author, 52 William St. 1924. Pp. 52.)

The author denies that there was forced deflation in the United States after the war. The present large gold fund is not only a cover for our own monetary needs, but also for the financial and monetary structure of other countries which have deposits here. He takes issue with Keynes and holds that prices cannot be stabilized without control of the rates of exchange. Moreover, stabilization of prices is not necessarily desirable.

KRAUS, E. *Inflation. Valuta, Preis, Lohn 1914-1924.* (Mannheim: J. Bensheimer Verlag. 1924. Pp. vii, 70.)

MAHLBERG, W. *Zum Neubau des Kredits.* (Leipzig: G. A. Glöckner. 1924. Pp. iv, 58.)

RAWIE, H. C. *Federal reserve notes.* Revised edition. (Baltimore: Waverly Press. 1924. Pp. 110.)

ROUSSIN, M. L. G. *Le régime monétaire actuel de l'Egypte.* (Cairo: Imp. de l'Institut Français d'Archéologie Orientale. 1924. Pp. 89-108.)

Extract from *L'Egypte Contemporaine*, Revue de la Société Royale d'Economie Politique, de Statistique et de Législation, XV.

STILLICH, O. *Das Freigeld. Eine Kritik.* (Berlin: Industriebeamten Verlag G.m.b.H. 1923. Pp. 80.)

WESTERFIELD, R. B. *Banking principles and practice*. (New York: Ronald. 1924. Pp. viii, 849. \$4.50.)

*Annual report of the president to the shareholders of the Chemical National Bank of New York*. (New York: Chemical National Bank. 1924. Pp. 20.)

*Financing the production and distribution of cotton*. (Washington: Federal Reserve Board. 1923. Pp. 72.)

*Das schweizerische Bankwesen im Jahre 1922*. (Zurich: Art. Institut Orell Füssli. 1924. Pp. 108.)

### Public Finance, Taxation, and Tariff

*Sugar in Relation to the Tariff*. By PHILIP G. WRIGHT. The Institute of Economics investigations in international commercial policies. (New York: McGraw-Hill Book Company, Inc. 1924. Pp. xiii, 312.)

This is an excellent piece of work. Of its kind it could hardly be better. It will maintain Mr. Wright's reputation for accuracy, fullness of information, sound reasoning, clear statement.

The scope of the book is limited. It makes an inquiry on the situation of the immediate present. There is a chapter on the growth of the sugar industry; but it is brief and largely occupied with figures on the amount of capital and labor in the domestic and Cuban industries. No attempt is made to discuss protection as a principle of national policy. The closing chapter contains a singularly impartial statement of the arguments for and against a duty on sugar, but with the barest minimum of argument on the underlying question of principle. In the main, to repeat, the book is given to the immediate situation. It considers the effects of the existing duty on domestic production and on prices; it compares the domestic industry with the competing Cuban industry; and it gives particular attention to the difference in cost of production between the domestic product and the Cuban product.

The chief conclusions can be readily indicated. Throughout the industrial field under consideration, both the domestic and the Cuban, we find clear differences between the costs of the several producers. Everywhere there are low-cost producers, moderate-cost producers, and high-cost producers; and everywhere a marginal or "bulk line" cost. A large part of the domestic industry is carried on under conditions so favorable that it would survive if there were no duty at all. The proportion of the output thus independent of tariff protection is stated to be 66 per cent for domestic beet sugar, 40 per cent for Hawaiian sugar, 30 per cent for Porto Rican sugar, 42 per cent for Louisiana sugar. The burden of the sugar duty on consumers was \$216,000,000 for the year 1916—a representative year;

of which sum \$124,000,000 went as revenue to the Treasury, \$92,000,000 went as protection or bonus or compensation (whatever phrase one prefers) to the domestic purchasers. Put in another way, the annual charge of the sugar duty was \$1.97 per head, of which \$1.13 was for revenue, \$.84 for protection.

From this, however, it is not to be inferred that the abolition of the sugar duty would necessarily reduce the charge to consumers by the amount stated. The effect of such a drastic step would indeed be to bring about equality of foreign and domestic prices, but at a level, in Mr. Wright's opinion, somewhere between the present foreign and domestic prices. In other words, the removal of the duty, while reducing the domestic price somewhat, would raise the foreign price somewhat; so that the reduction in price would be something less than the reduction of duty. This at all events is expected to be the outcome if the free imports were from Cuba alone; as would be the case if Cuban sugar were admitted free and a duty were continued on other foreign sugar. If all sugar of every kind, not Cuban alone, were admitted free of duty, the result would be different. Then there would probably be a reduction in price to the domestic consumer by the full amount of the remission of duty.

Mr. Wright's analysis of the cost situation is based upon the full information gathered in recent years by the Federal Trade Commission and by the Tariff Commission. The situation disclosed is interesting to the economist not only with regard to the immediate problem, but with regard to some larger questions of economic principle. Mr. Wright's conclusion is that, given a duty maintained at a constant level for a considerable time, costs adjust themselves to the duty. Any rate of duty, maintained for a long time, will bring about a situation in which marginal costs are the same all along the line; the duty itself, it should be noted, being regarded as one item in the "cost" of putting foreign sugar on the American market. This conclusion follows from the circumstance that in each and every one of the competing fields differing costs are found, and costs which increase as output enlarges. Given time enough, and production will be extended in each field until marginal costs are the same throughout.

The conclusion must be perplexing to the protectionist who wishes to fix duties on the basis of differences of cost. Any duty whatever that he fixes on his "fair" basis will be found to justify itself, because it will be found to equalize cost between the competing domestic and foreign supplies. The only thing that will save the protectionist from trouble is that in most cases he is not trained or intellectually gifted for following the reasoning involved. It is to be said, however, that while the protectionist may be thus perplexed when called upon to consider the logical consequences of the policy he favors, he is prob-

ably concerned not so much with any such questions of ultimate outcome as with a justification of the status quo. What he really wants is to maintain the existing domestic industry intact and to safeguard it in its present volume against foreign competition. Taking matters as they stand now, and having regard to the existing situation (in which the conditions of supply and cost have not yet been completely accommodated to the present duty), Mr. Wright reaches the conclusion that a rate of  $1\frac{1}{4}$  to  $1\frac{1}{2}$  cents would serve to equalize domestic and foreign costs. On the equalizing principle, applied to present conditions, a duty of this amount would be justified. The actual rate (on Cuban sugar) under the act of 1922 is 1.765 cents.

It should be added that Mr. Wright's general conclusion (that in time costs would adjust themselves to the present duty) is predicated not only on the assumptions that time enough is given and that the Cuban duty alone is to be considered, but on the further assumption that the conditions of supply in Cuba, even in the long run, are those of steadily increasing marginal cost. I am not sure that the last-named assumption would be confirmed. The reasoning supposes that if Cuban sugar were admitted free, and if a great expansion of production took place in Cuba, the marginal cost there would be distinctly higher than it is now. It seems to me quite possible that in the long run there would be an additional number of low-cost and moderate-cost concerns, that a flatter supply curve would appear, and that marginal cost would be no higher than it now is.

The book could not well be more timely. The sugar duty happens to be up for settlement at the very moment of its publication. The Tariff Commission is considering this particular item under the flexible clause of the act of 1922, and presumably is on the point of making a recommendation to the President. It is difficult to believe that a more accurate statement could be presented by the commission than is made in these pages. This very merit of timeliness means that before long much of the matter will be obsolete. In a few years the industrial situation will change, the duty doubtless will be modified, all these facts and figures will have no more than an historical interest. The book, an excellent specimen of applied economics, has the somewhat ephemeral character of work of this kind. Economists will long find in it valuable material for testing and illustrating some general principles. To the legislator, and to the intelligent person concerned with current events, though for the moment it is just what he wants, it will cease before long to be of interest.

This last consideration leads to some reflections upon the nature of the work done by the Institute of Economics. The book is representative of the Institute's program. Its investigations seem all to be directed to questions of the day. The excellent book by Messrs.

Moulton and McGuire on Germany's capacity to pay was of this character. Similar publications are promised on other phases of the international situation, on other phases of the tariff, on the agricultural troubles of the time, and so on. All this is good. It is eminently to be desired that we should have accurate and intelligent statements on the questions of immediate concern. But something else is also to be desired. We need investigation of other than current questions. There is a wide range of inquiries in economics, strictly scientific in character, not just now debated in the newspapers and in Congress, yet of the first importance toward solving the problems of modern civilization. There seems to be no difficulty in getting money, as the Institute has succeeded in doing, for promoting research on problems of the day; but apparently it is extremely difficult to secure the means for research on the fundamentals.

F. W. TAUSSIG.

Harvard University.

#### NEW BOOKS

- BOYD, G. R. and others. *Drainage district assessments, a study of present practices in assessing benefits under the state drainage laws.* Bull. 1207. (Washington: Supt. Docs. 1924. 10c.)
- CHALMERS, H. *European tariff policies since the war.* Supp. to Commerce Reports, Trade inf. bull. 228. (Washington: Supt. Docs. 1924. Pp. 31.)
- CLARK, H. F. *The cost of government and the support of education; an intensive study of New York state with results applicable over the entire country.* Teachers College, Columbia University, Contributions to education, no. 145. (New York: Teachers College. 1924. Pp. 86. \$1.25.)
- COATH, T. H. *Income tax made easy for everyone.* 1923-1924 edition. (London: Simpkin. 1923. Pp. 205.)
- COYAJEE, J. C. *The Indian fiscal problem.* (Calcutta: Author, Presidency College. 1924. Pp. 178.)
- FIELDHOUSE, A. and EWART, E. *Income tax simplified.* New edition. (London: A. Fieldhouse. 1924. Pp. 98. 1s. 6d.)
- FISK, H. E. *The inter-ally debts: an analysis of war and post-war public finance, 1914-1923.* (New York: Bankers Trust Co. 1924. Pp. 367.)
- The Bankers Trust Company has again put the public under obligation by the appearance of another book written by Mr. Harvey E. Fisk. Like the preceding volumes, this work is characterized by fullness of detail, accuracy, and impartiality. It is to be noted, however, that the book is meant for popular consumption and not for the student. From the scientific point of view it is defective in not giving any notes, documentation, or references to the views of others, in both Europe and America, who have worked in this field. There is therefore no opportunity to check the statements of fact. Nor is any serious attempt made

to form any definite conclusions on controversial questions of theory or principle.

Even taking the book, however, for what it is intended to be, it seems necessary to call attention to a few points. In endeavoring to arrive at the cost of the war, Mr. Fisk first divides the figures of annual expenditure in each country by the average wholesale-price index numbers for the year, thus putting the statistics on the 1913 price basis. Then he turns the adjusted cost figures into dollars at the normal par of exchange, thus reducing all the statistics to dollar figures of 1913. Furthermore, he assumes that the costs of the war for any year are the annual expenditures over and above the pre-war rate of expenditure.

On each one of these points, as scarcely needs to be pointed out to the student, there is much that might be said in way of criticism. Finally, toward the end of the book Mr. Fisk has occasion to estimate the property and the social income in each of the respective countries; he presents his own guess without disclosing in any way how he arrives at the figures—figures which, with the exception of those for the United States and Great Britain, are considerably at variance with the estimates that have been made by scientists.

The result is that while many of the tables resting on official data are accurate and dependable, not a few of them represent estimates which are either reached without disclosing the basis of computation or founded on methods which are more or less questionable. While the book, therefore, will serve a useful purpose in giving a popular presentation of fairly accurate conclusions, a final statement of the whole subject will have to await a very different kind of study. As a preliminary and tentative effort, however, Mr. Fisk is to be congratulated on having accomplished a useful result.

EDWIN R. A. SELIGMAN.

FLORA, F. *La politica economica e finanziaria del fascismo (ottobre 1922—giugno 1923)*. (Milan: "Imperia." 1923. Pp. 174.)

GANGEMI, L. *Il credito agrario di stato*. (Bologna: Lib. Italiane Riunite. 1924. Pp. xii, 102.)

———. *La politica economica e finanziaria del governo fascista nel periodo dei pieni poteri*. (Bologna: Nicola Zanichelli. 1924. Pp. 507. L. 40.)

HUNT, C. W. *The cost and support of secondary schools in the state of New York*. A report reviewed and presented by the Educational Finance Inquiry Commission, under the auspices of the American Council on Education, Washington, D. C. (New York: Macmillan. 1924. Pp. 117. \$1.)

JENSEN, J. P. *Problems of public finance*. Social science series, edited by S. ELDRIDGE. (New York: Thomas Y. Crowell Co. 1924. Pp. xviii, 606. \$3.)

KING, C. L., editor. *Competency and economy in public expenditures*. The Annals, May, 1924. (Philadelphia: Am. Acad. of Pol. and Soc. Sci. 1924. Pp. 366. \$2.)

KIX MILLER, W. *Consolidated United States income tax laws since 1909 with regulations and digest of court decisions and unofficial rulings*. (New York: Commerce Clearing House. 1923. Pp. 1523. \$20.)

- \_\_\_\_\_. *1924 United States income and war tax guide based on Revenue act of 1921, as amended in 1923, and regulations, rulings, and decisions up to 1924.* (New York: Commerce Clearing House. 1923. Pp. 315.)
- KÖPPE, H. *Leitfaden zum Studium der Finanzwissenschaft.* (Jena: Fischer. 1924. Pp. vii, 149.)
- KUHN, K. *Einkommensteuer und Körperschaftssteuer 1924 in der zweiten Steuernotverordnung vom 19. Dezember 1923.* (Berlin: C. Heymann. 1924. Pp. 184.)
- LANCASTER, L. W. *State supervision of municipal indebtedness.* Thesis. (Philadelphia: Author, Univ. of Pennsylvania. 1923. Pp. 108.)
- MCGAUGHY, J. R. *The fiscal administration of city school systems.* (New York: Macmillan. 1924. Pp. xii, 95. \$1.)
- MELLON, A. W. *Taxation: the people's business.* (New York: Macmillan. 1924. Pp. 227. \$1.25.)
- A brief discussion of current federal tax problems based in part on letters to committees of Congress and to organizations and individuals, and in part on recent contributions to periodicals. Chapter headings deal with fundamental principles, treasury policies, revising the taxes, surtaxes, taxing energy and initiative, estate taxes, benefits of tax reduction, and tax-exempt securities.
- MILLER, R. C. *Budgets of western European countries.* Supp. to Commerce Reports, Trade inf. bull. 222. (Washington: Supt. Docs. 1924. Pp. 31.)
- PAPÍ, G. U. *Prestiti esteri e commercio internazionale in regime di carta moneta.* (Rome: A. Signorelli. 1923. Pp. 150. L 10.)
- PASVOLSKY, L. and MOULTON, H. G. *Russian debts and Russian reconstruction: a study of the relations of Russia's foreign debts to her economic recovery.* Institute of Economics series. (New York: McGraw-Hill Book Co. 1924. Pp. xiii, 247. \$2.50.)
- POWELL, H. M. *Taxation in New York, together with the tax on moneyed capital.* 1923 supplement. (New York: Boyd Press. 1923. Pp. 91.)
- RÖTTINGER, K. *Das Gesetz über d. Finanzausgleich zwischen Reich, Ländern und Gemeinden in d. Fassung des Abänderungsgesetzes von 26. VI. 1923.* Second entirely revised edition. (Stuttgart: J. Hess. 1923. Pp. 252.)
- SCHUHMACHER. *Das Problem der internationalen Kriegsschuldung.* (Hanover: Hannoversche Hochschulgemeinschaft. 1923. Pp. 15.)
- STEFANI, A. DE. *The financial budget of Italy.* Speech delivered by the Minister of Finance at the Scala Theatre in Milan on 30th March, 1924. (Rome: State Library. 1924. Pp. 28.)
- STOOPS, R. O., compiler. *Elementary school costs in the state of New York.* Report of the Educational Finance Inquiry Commission. (New York: Macmillan. 1924. Pp. 133.)
- American federal tax reports; a convenient collection of unabridged court decisions from every American court, state and federal, that has had before it problems arising under the federal tax laws; decisions have*

been included from the date of the earliest acts up to November, 1923. Three vols. (New York: Prentice-Hall. 1924.)

To be kept up to date through the periodical issuance of advance sheets.

*City tax rate bulletin for 1923; a compilation of the city, school and county tax rates effective for 543 cities in Kansas.* Bull. no. 46. (University, Kansas: Municipal Reference Bureau. 1924. Pp. 29.)

*Current facts on city school costs.* Research bull., vol. II, nos. 1 and 2. (Washington: National Education Assoc. 1924. Pp. 63.)

*Deutschlands Wirtschaft, Währung und Finanzen.* (Berlin: Zentral-Verlag. 1924. Pp. iv, 112.)

*Federal income tax index; supplement to volume 1. January 1, 1922 to January 1, 1924.* (Newark, N. J.: Income Tax Index Service. 1924. Pp. 440.)

*Financial history of the state of Washington to March 31, 1921.* Supplement no. 1, *General fund tax roll history to December 31, 1922.* Supplement no. 2, *State current school fund history to March 31, 1923.* Compiled by the Department of Efficiency, L. D. McARDLE, director. (Olympia, Wash.: Dept. of Efficiency. 1924. Pp. 432; 72; 100, cyclostyled.)

*Germany's economy, currency, and finance. A study addressed by order of the German government to the Committees of Experts, as appointed by the Reparation Commission.* (Berlin: Zentral-Verlag G.m.b.H. 1924. Pp. 112.)

*Proceedings of the conference on mine taxation, Milwaukee, Wis., September, 1923.* (Washington: American Mining Congress. 1923. Pp. 172.)

*Special taxation for motor vehicles.* 1924 edition. (New York: Motor Vehicle Conference Committee, 366 Madison Ave. 1924. Pp. 27.)

*What do we buy with taxes?* Tax Commission, bull. no. 6. (Pierre, S. D.: State Tax Commission. 1924. Pp. 8.)

## Population and Migration

### NEW BOOKS

GOLDSTEIN, F. *Geburtenbeschränkung. Staatsruin oder Wiederherstellung?* (Berlin: Verlag E. Berger & Co. in Komm. 1924. Pp. 82.)

LOHMANN, M. *Die Bedeutung der deutschen Ansiedlungen in Pennsylvania.* Schriften des Deutschen Ausland-Instituts Stuttgart, 12. (Stuttgart: Ausland und Heimat Verlag. 1924. Pp. 153.)

SAPPER, K. *Karte der mittleren jährlichen Bevölkerungszunahme der Erde.* (Munich: R. Oldenbourg, o.J. 1923.)

WHITTON, C. *The immigration problem for Canada.* No. 48. (Kingston, Ontario, Can.: Queen's University, Depts. of History and Political and Economic Science. 1924. Pp. 33.)

WYLER, J. *Das Uebervölkerungsproblem der Schweiz.* (Bern: Verlag von Stämpfli & Co. 1923. Pp. 39.)

*External migration of New Zealand for the year 1923.* Statistical report. (Wellington, N. Z.: Census and Statistics Office. 1924. Pp. 28. 1s. 6d.)

*Population de l'Empire du Japon. Résumé statistique de mouvement de la population pendant l'an X de Taishô à 1921.* (Tokio: Direction de la Statistique. 1923. Pp. 145.)

## Social Problems and Reforms

### NEW BOOKS

BARNES, H. *Housing, the facts and the future.* (London: Ernest Benn. 1923. Pp. 450.)

FLORENCE, P. S. *Economics of fatigue and unrest.* (London: George Allen & Unwin, Ltd. 1924. 16s.)

GALPIN, C. J. *Rural social problems.* (New York: Century Co. 1924. Pp. 286. \$2.)

GILLETTE, K. C. *The people's corporation.* (New York: Boni & Live-right. 1924. Pp. 247. \$2.)

GRIFFITTS, C. H. *Fundamentals of vocational psychology.* (New York: Macmillan. 1924. Pp. vii, 372.)

HART, H. H. *Child welfare in the District of Columbia: a study of agencies and institutions for the care of dependent and delinquent children.* (New York: Russell Sage Foundation. 1924. Pp. 159. \$2.)

HAYNES, F. E. *Social politics in the United States.* (Boston: Houghton Mifflin Company. 1924. Pp. xii, 414. \$3.50.)

Professor Haynes gives us a convenient summary of material that is commonly widely scattered, but one cannot escape a feeling of regret that the larger opportunity has been neglected. More attention to the underlying problems in our economic and social life would have made the book a contribution of outstanding importance. Both preface and introductory chapter seem to promise just such an interpretative essay, directed towards the analysis of the vital problems that make our radical groups and third parties more than casual outbursts of discontent. The lure of hard, concrete fact seems, however, to have proved too tempting, and broad interpretation was abandoned. Instead of fulfilment of the promises of the introductory passages, we have concise summaries of the leading books on the various subjects included: socialism, in all its aspects; the labor movement, both the earlier trade union movement and the recent revolutionary developments; the single tax agitation; the third parties.

With the emphasis placed upon the external history of each of these various tendencies, there is little cohesion in the text as it stands. We lose the sense of unity that might be achieved by stressing the outstanding economic problems attacked, distracted by the diversity of approach adopted by the various reform groups. There is little comment on the facts presented, and nowhere any sustained analysis of the aims and causes of these "noble discontents." The volume is a good summary of current knowledge of these movements; convenient, though it adds nothing in fact or interpretation.

A. P. U.

KIRKPATRICK, E. L. *The standard of life in a typical section of diversified farming.* Bull. 423. (Ithaca, N. Y.: Cornell Sta. 1928. Pp. 133.)

SAYLE, A. *The houses of the workers.* (London: T. Fisher Unwin, Ltd. 1924. 12s. 6d.)

SAYLOR, C. H. *Vocational rehabilitation.* Bull. 28. (Springfield, Ill.: Board for Vocational Education. 1923. Pp. 31.)

WILSON, B. *The Christian and his money problems.* (New York: Doran. 1923. Pp. xii, 236. \$1.50.)

*American economic policies since the armistice; a series of addresses and papers presented at the annual meeting of the Academy of Political Science in the city of New York, November 19 and 20, 1923.* Edited by H. R. SEAGER and P. T. MOON. (New York: Academy of Pol. Sci., Columbia Univ. 1924. Pp. iv, 231.)

Volume X, no. 4 of the *Proceedings*; contains papers on Agricultural policies, Tariff policies as affected by post-war conditions, Immigration policy of the United States, and Transportation and fuel.

*Bibliography of industrial hygiene.* No. 5. (Geneva: International Labour Office. 1924. Pp. 43.)

*A manual for mutual benefit associations.* Research report no. 66. (New York: National Industrial Conference Board. 1924. Pp. 52.)

*Proceedings of the Association of Governing Boards of State Universities and Allied Institutions, Chicago, November, 1923.* (Ann Arbor, Mich.: D. W. Springer, secretary, Assoc. of Governing Boards of State Universities. 1923. Pp. 40.)

Among other addresses are: University finance; What the college should do for agriculture; and, What the college should do for commerce.

*Work of children on truck and small-fruit farms in southern New Jersey.* Children's Bureau pub. no. 132. (Washington: Supt. Docs. 1924. 10c.)

## Insurance and Pensions

### NEW BOOKS

FALCONER, W. G. *Principles of the law of negligence.* Three lectures, given in 1921-22, under the auspices of the Insurance Society of New York. (New York: Weekly Underwriter, 80 Maiden Lane. Pp. 23.)

GOODWIN, R. H. *The underwriting of automobiles against fire and theft.* An address before the Insurance Society of New York, January 9, 1924. (New York: Insurance Soc. 1924. Pp. 11.)

HARDY, C. O. *Readings in risk and risk-bearing.* (Chicago: Univ. of Chicago Press. 1924. Pp. xvi, 368. \$3.50.)

Designed primarily to provide supplemental reading for college classes which use as a text the volume, *Risk and Risk-Bearing*. Chapter titles follow the same order as in the latter volume. There are over 80 excerpts from writings by experts and specialists. The principal topics covered are business forecasting, stock speculation, analysis of securities, life, fire and property insurance, and the risks of labor.

- INGLIS, E. S. *Grain elevators, cereal and spice mills.* (New York: Insurance Institute of America. 1924. Pp. 24.)
- JOHNSEN, J. E., compiler. *Soldiers' bonus.* The reference shelf, vol. II, no. 7. (New York: H. W. Wilson Co. 1924. Pp. 122. 90c.)  
Contains brief and bibliography on both sides of the question, with reprints from special studies, periodicals, and government documents.
- MANES, A. *Versicherungswesen.* I, *Allgemeine Versicherungslehre.* II, *Besondere Versicherungslehre.* Fourth edition. (Leipzig: B. G. Teubner. 1924. Pp. xiv, 231; xiv, 357.)
- TILLY, P. T. *Woodworking industries, an address.* (New York: Insurance Soc. 1924. Pp. 38.)
- Equality of treatment for national and foreign workers as regards workmen's compensation for accidents.* International Labour Conference, report II, Sixth session. (Geneva: International Lab. Office. 1924. Pp. 109.)
- Fire insurance in New England for ten years, 1913-1922.* Twenty-fourth edition. (Boston: Standard Pub. Co. 1923. Pp. 324.)
- Insurance statistics of New Zealand for 1923.* Report. (Wellington, N. Z.: Census and Statistics Office. 1924. Pp. 21. 1s. 6d.)
- Mortality experience of government life annuitants, 1900-1920.* Report by government actuary. (London: H. M. Stationery Office. 1924. 2s. 6d.)
- Workmen's compensation.* Questionnaire for the seventh session of the International Labour Conference, June, 1925. (Geneva: Intern. Lab. Office. 1924. Pp. 55.)

## Pauperism, Charities, and Relief Measures

### NEW BOOKS

- Forty-sixth annual report of the Charity Organization Society.* (Buffalo, N. Y.: Charity Organization Soc. 1924. Pp. 23.)
- Report of Committee on the Coördination of Administrative and Executive Arrangements for the Grant of Assistance from Public Funds on Account of Sickness, Destitution, and Unemployment.* (London: H. M. Stationery Office. 1924. 4s.)
- Sixty-six years of service; an account of the activities of the United Charities of Chicago, including reports of social work done and financial statement for the period October 1, 1919, to October 1, 1922.* (Chicago: United Charities of Chicago. 1923. Pp. 86.)
- Widows' pensions; a study of 53 fatherless families in Dallas County, Texas, who are aided by the county commissioners court; including the Texas widows' pension law and its method of administration.* (Dallas, Tex.: Civic Federation. 1923. Pp. 16.)

## Socialism and Co-operative Enterprises

## NEW BOOKS

- ABRAHAM, R. *Die Theorie des modernen Sozialismus. Für die Jugend dargestellt.* Third enlarged edition. (Berlin: Arbeiterjugend Verlag. 1923. Pp. 141.)
- BERNSTEIN, E. *Der Sozialismus einst und jetzt. Streitfragen des Sozialismus in Vergangenheit und Gegenwart.* Second revised edition. (Berlin: J. H. W. Dietz. 1923. Pp. 184.)
- DELORY, G. *Aperçu historique sur la Fédération du Nord du Parti Socialiste, 1876-1920.* (Lille: M. Dhoossche. 1921. Pp. 344.)
- HORLACHER, M. *Das Agrarprogramm der deutschen Sozialdemokratie.* (Munich: Pfeiffer & Co. 1923. Pp. 24.)
- HUGHES, T. J. *State socialism after the war.* (London: Bale Sons & Danielson. 1924. 4s.)
- LEICHTER, O. *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft.* (Vienna: Verlag der Wiener Volksbuchhandlung. 1923. Pp. 109.)
- PODMORE, F. *Robert Owen: a biography.* (London: George Allen & Unwin. 1924. 16s.)
- VORLÄNDER, K. *Geschichte der sozialistischen Ideen.* (Breslau: F. Hirt. 1924. Pp. 144.)

## Statistics and Its Methods

## NEW BOOKS.

- EICHEL, O. R. *Marriage statistics in New York state (exclusive of New York City) for 1916, 1917, 1918 combined and for 1919.* First report. (Albany: Dept. of Health of N. Y. 1924. Pp. 135.)
- WINKLER, W. "Die statistischen Verhältniszahlen." *Eine Methodologische Untersuchung.* Wiener Staatswissenschaftliche Studien. (Vienna: Franz Deuticke Verlag. 1924.)
- 1924 *Automotive statistics.* (Detroit, Mich.: Motor List Co., 431 Howard St. 1924. \$25.)
- Births, deaths, etc., England and Wales.* Statistical review of the registrar-general for 1922. Tables. Part II, Civil. (London: H. M. Stationery Office. 1924. 5s.)
- International Conference of Labour Statisticians. Studies and reports, series N (Statistics) no. 4.* (Geneva: Intern. Lab. Office. 1924. Pp. 80. 30c.)
- New Zealand. Statistical report on the industrial manufacture of New Zealand, 1922-23. On prices, building societies, bankruptcy, incomes, and meteorology, 1922.* (Wellington, N. Z.: Census and Statistics Office. 1924. Pp. 74; 185. 2s.; 3s. 6d.)
- Official year book of the Commonwealth of Australia.* No. 16,—1923. (Melbourne: Commonwealth Bureau of Census and Statistics. Pp. 1122.)

## PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish, Dutch, and Swedish periodicals.

### Theory

(Abstracts by Morris A. Copeland)

- ALLPORT, F. H. *The group fallacy in relation to social science.* Am. Jour. Sociol., May, 1924. Pp. 19. Jour. of Abnormal and Social Psychology, April-June, 1924. Pp. 14. Speaking in terms of collectivity is description, not explanation. In order to explain, sociology must analyze the group into individuals just as psychology analyzes the individual into physiological terms.
- BECKERATH, E. VON. *Spengler als Staats- und Wirtschaftsphilosoph.* Schmollers Jahrb., 1-4 Heft, 47 Jahrg. Pp. 16. Critical commentary on the chapters on the state and economic life in Spengler's *Der Untergang des Abendlandes*.
- BOWLEY, A. L. *Does mathematical analysis explain? A note on consumer's surplus.* Economica, June, 1924. Pp. 5.
- CASON, H. *Gregariousness considered as a common habit.* Jour. of Abnormal and Social Psych., April-June, 1924. Pp. 10. Objects to instinctive view and investigates habit development in individual.
- DASKALJUK, O. *Das Problem des mittel- und kleingewerblichen Unternehmens.* Zeits. f. Volkswirts. Sozialpolitik, 10-12 Heft, III Band (Neue Folge), 1924. Pp. 20. Aims "den Tätigkeitsbereich des gewerblichen Mittelsandes zu umgrenzen, seine sinngemässe Einordnung in das wirtschaftliche und soziale Gefüge des modernen Lebens zu vollziehen und ihm neue Bahnen für seine Entfaltung zu ebnen."
- DEWEY, A. G. *On methods in the study of politics.* I and II. Pol. Sci. Quart., Dec., 1923; June, 1924. Pp. 16; 16.
- ELLIOT, W. Y. *The pragmatic politics of Mr. H. J. Laski.* Am. Pol. Sci. Rev., May, 1924. Pp. 25. To admit that there are conflicts of interest among different human associations is not to prove that the sovereignty of one association is undesirable.
- ENGLISH, H. B. *Emotion as related to instinct.* Psychological Bull., June, 1924. Pp. 18. Reviews recent literature on the subject.
- FETTER, F. A. *The economic law of market areas.* Quart. Jour. Econ., May, 1924. Pp. 10. Investigates the position and character of the line dividing the territory surrounding two competing markets dealing in a standard commodity between these markets, in relation to variations in the differential of market base prices and in the level of freight rates.
- GEARHART, M. A. *An issue in economic theory: "The rate of wages and the use of machinery."* Am. Econ. Rev., June, 1924. Pp. 3.
- HEKNER, H. *Zur Stellung Gustav Schmollers in der Geschichte der Nationalökonomie.* Schmollers Jahrb., 1-4 Heft, 47 Jahrg. Pp. 8. Questions whether anyone has given a better account of the development of modern economic society.
- KANTOR, J. R. *The institutional foundation of a scientific social psychology.* Am. Jour. Sociol., May, 1924. Pp. 14. Jour. of Abnormal and Social Psych., April-June, 1924. Pp. 11. To be scientific, social sciences must dispense with animistic concepts, such as instinct, and investigate observable cultural developments and their relations to non-cultural events and circumstances historically.

LAMPE, A. *Schumpeters System und die Ausgestaltung der Verteilungslehre (schluss)*. Jahrb. f. Nationalök. u. Stat., Dec., 1923. Pp. 34. Examines his theory of the market, of production, and of the factorial distributive shares.

MCDUGALL, W. *Can sociology and social psychology dispense with instincts?* Am. Jour. Sociol. (in part), May, 1924. Pp. 17. Jour. Abnormal and Social Psych., April-June, 1924. Pp. 29. A criticism of the attempts of John Dewey, Knight Dunlap, F. H. Giddings, and C. C. Josey to dispense with instincts in whole or part.

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## Economic History (United States)

(Abstracts by Amelia C. Ford)

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## Agricultural Economics

(Abstracts by A. J. Dadisman)

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- BALLANTYNE, S. *Cost of producing farm crops*. Rpt. Canada Exp. Farms, Kapuskasing, Ont., 1922. Pp. 7. Detailed costs of producing the common field crops on the station farm are given.
- BARNES, W. C. *Shipping farm products to market*. Breeders' Gazette, Aug. 9, 1923. P. 1. General statistics of production and movement of farm products, especially live stock.
- BLACK, J. D. *Elasticity of supply of farm products*. Jour. Farm Econ., April, 1924. Pp. 11. Relations of cost of production, price, and subsequent output.
- BOYSEN, L. K. *Interim report Real Estate Securities Committee on agricultural credit conditions*. I. B. A. of A. Bull., May 24, 1924. Pp. 5. Agricultural credit conditions in the Middle West and an argument favoring proper use of present credit rather than providing more.
- BROSSARD, E. B. *Rural credits in Utah*. Utah Agri. Exp. Sta. Cir. 48, Sept., 1923. Pp. 42. A circular of general information about agricultural credit, particularly the federal farm loan system.
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## Railways and Transportation

(Abstracts by J. H. Parmelee)

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## Shipping

(Abstracts by Marjorie Sheets Weber)

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*The Chamber of Shipping of the United Kingdom.* Fairplay, Feb. 28, 1924. Pp. 6. Annual report and presidential address of the Chamber of Shipping of the United Kingdom. Review of activities of the organization and analysis of shipping conditions.

*The crime of government competition.* Nautical Gaz., May 24, 1924. Pp. 2. Protest against alleged enforcement of sections of Merchant Marine act which impose hardships on private shipowners and non-enforcement of sections beneficial to privately-owned shipping.

*Effect of enforcement of preferential rate clause on ports and shippers.* Nautical Gaz., March 8, 15, 22, 29, 1924. Pp. 5. Presentation of various viewpoints as to the probable effect of section 28 of the Merchant Marine act.

*Fleet corporation losses.* Traffic World, March 29, 1924. Pp. 2. Report showing losses incurred by each line operating Shipping Board vessels during the fiscal year 1923 and the last six months of 1923.

*Lloyd's Register shipbuilding summary.* Fairplay, Jan. 24, 1924. Pp. 3. Analysis of amount and type of shipbuilding in each shipbuilding country during 1923.

*Section 28 troubles.* Traffic World, March 29, 1924. Pp. 6. A digest of reactions from the order putting into effect section 28 of the Merchant Marine act, 1920.

## Public Utilities

(Abstracts by Charles S. Morgan)

ANDRUS, L. B. *Rights in community service.* Finan. World, May 31, 1924. Pp. 2. Fundamental principles governing relations of utility and community served.

BAUER, J. *Recent decisions by the Supreme Court of the United States on valuation and rate making.* With comments by R. L. HALE, D. R. RICHBERG and W. L. RANSOM. Am. Econ. Rev., June, 1924. Pp. 29. A comprehensive discussion,

covering, in addition to depreciation and the rate base, surplus earnings, early losses, and federal income taxes. Need for simpler, automatic rate regulation.

CARPENTER, W. M. *How far is the small customer's use of energy increasing?* Elec. World, June 14, 1924. Pp. 3. Average "commercial lighting" consumption per meter in New York state, less in 1923 than in 1910, indicating that a slowing down of increase in aggregate demand is not unlikely.

COR, R. S. *Telephone development in the United States and abroad.* Bell Telephone Quart., April, 1924. Pp. 14. Higher state of development in use of telephone in this country attributed largely to our system of private ownership and operation.

EWEN, W. C. *More about New York tractions.* Finan. World, May 31, 1924. Pp. 2. Much construction urgently needed. Prevailing five-cent fare does not cover cost of service. Traffic statistics, 1860-1923.

FANCELLO, N. *La "non soluzione" democratica del problema telefonico.* Riv. Bancaria, March, 1924. Pp. 8. A critique of projects for setting the telephone industry of Italy upon its feet.

GODDARD, E. C. *Fair value of public utilities.* Mich. Law Rev., May, June, 1924. Pp. 21, 21. Comprehensive survey of Supreme Court decisions, the practical working of valuation theories, and the constitutionality of prudent investment, the basis preferred by the author.

GUERNSEY, N. T. *Obligations under the license contract.* Bell Telephone Quart., April, 1924. Pp. 10. Summary of principal provisions of the much-discussed contract between American Telephone & Telegraph Company and associated companies, defining terms under which the bulk of the telephone service of the country is rendered.

LOOMIS, A. L. *The financial structure of power and light companies.* Elec. World, May 10, 1924. Pp. 4. Types of financial structure and recent tendencies. A detailed comparison of capitalization, earnings and other features of some 84 companies representing about one-half of the industry.

MACY, R. G. *The power supply of southern industry.* Manag. and Admin., June, 1924. Pp. 6. Power needs and present and available power resources of the Piedmont section of the Carolinas.

MEAD, D. W. *The economics of hydro-electric development.* Proc. Am. Soc. Civil Engrs., April, 1924. Pp. 33. A paper of basic importance setting forth the physical, cost and demand factors conditioning the success of hydro-electric developments.

MILLON, J. A. *Fares in cities of more than 25,000 population.* Aera, June, 1924. Pp. 29. Fare statistics and brief summaries of local fare history. Of the 288 cities listed only 13 have original five-cent fare.

MURPHY, E. J. *Electric railways broke all records in 1923.* Aera, May, 1924, Elec. Ry. Jour., May 3, 1924. Pp. 16, 3. Extensive statistics for 1923 and 1922. Electric railways did the largest business they have ever done, but increase of expenses (3.6 per cent over 1922), when revenues increased but 2.5 per cent, reduced net income 0.9 per cent. Average fare slightly lower and amount of service rendered slightly greater than in 1922.

NASH, L. R. *New thoughts on public utility regulation.* Stone & Webster Jour., May, 1924. Pp. 12. A review of Morgan's *Regulation and the Management of Public Utilities*.

NASH, SIR P. A. M. *The reorganization of power generation and supply in Britain.* Manchester Guardian Commercial, May 8, 1924. Pp. 3. One of several articles pointing out recent developments. The important part played by municipally owned plants is one of a number of complicating factors.

- "OBSERVER." *Toronto's two and a half years of m. o.* Elec. Ry. Journ., Apr. 12, 1924. Pp. 2. "It ranks as good service, however, when measured by the standard of any American city, and is far better than some of the private operations one might mention."
- OLMSTED, H. M. *A new scheme for going value.* Nat. Munic. Rev., June, 1924. Pp. 5. Tendency for utility companies to put claims for going value on a more specific basis akin to reproduction estimates. Going value will increase in importance as prices decline.
- ONKEN, W. H., JR. *Financing of public utilities.* Nat. Elec. Light Assoc. Bull., Apr., 1924. Pp. 7. A valuable statement of problems of financing capital expenditures. Regulation and the growth of demand assist greatly in making economical and safe financing possible.
- PRATT, F. S. *Points to be considered in taking on new properties.* Stone & Webster Journ., March, 1924. Pp. 7. An intimate account of the processes involved in the acquisition of an independent property by a utility syndicate. A period of a declining price level is better suited to the acquisition of utility than industrial properties.
- PRINGLE, F. L. *Natural gas to mixed or manufactured gas?* Gas Age-Record, May 31, 1924. Pp. 4. Some of the problems encountered in the attempt to conserve our waning natural gas supply by mixing it with manufactured gas, as is being done in some communities.
- RUGGLES, C. O. *Discrimination in public utility rates.* Jour. Pol. Econ., Apr., 1924. Pp. 16. Seven specific types of discrimination obtaining today. The increasing complexity of public utility business makes discrimination ever more likely; this tendency can be counteracted by thorough rate studies by experts attached to the commissions.
- THOMPSON, C. D. *Superpower and social progress.* Am. Rev., May-June, 1924. Pp. 6. Possibilities of superpower and plea for exclusive public development and operation.
- TAYLOR, C. S. *Do we need rent control laws permanently?* Nat. Munic. Rev., May, 1924. Pp. 5. Member of District of Columbia Rent Commission believes "rent legislation should be made permanent in all communities where there is any danger of congestion which would restrict natural competition, or where, for other causes, there is danger of inflation of prices." Interesting account of how District of Columbia Commission works.
- TYRRELL, F. G. *The Los Angeles experiment in municipal power.* Jour. Elec., May 1, 1924. Pp. 6. An intimate account, in which shortcomings are emphasized.
- WARREN, P. B. *Value as a rate base for public utilities.* Ill. Law Quart., Feb., 1924.
- WELSH, J. W. *Why car fares differ.* Elec. Ry. Jour., May 3, 1924. Aera, May, 1924. Pp. 2, 5. The five principal factors influencing fares are speed, wages, length of haul, density and investment.
- WILCOX, D. F. *What chambers of commerce can do toward the settlement of public utility problems.* Pacific Munics., May, 1924. Pp. 5. A thoroughgoing change in outlook is required before chambers of commerce can contribute to a solution of public utility problems.
- Depreciation principles.* Aera, Apr., 1924. Pp. 5. Brief setting forth of views of American Electric Railway Association.
- Great year for Peoples Gas.* Public Service Manag., May, 1924. Pp. 4. An interesting account of the gas situation in Chicago.
- New England's power needs.* Elec. World, May 3, 1924. Pp. 4. Summary of recent report in which it is found that expansion and interconnection of steam and

- hydro-electric plants will meet requirements for many years. Importation of Canadian power likely in more distant future.
- Plans for New York suburban transit.* Elec. Ry. Jour., May 10, 1924. Pp. 2. Main features of recent tentative report of New York Transit Commission looking to the betterment of commuter service through the provision of facilities distinct from those used by long-distance travelers.
- Retail prices of electricity in the United States.* Labor Rev., Feb., May, 1924. Pp. 4, 5. Net rates per kilowatt hour of electricity used for household purposes in 51 cities, for specified months, 1913-1924.
- Retail prices of gas in the United States.* Mo. Labor Rev., Feb., May, 1924. Pp. 3, 3. Along same lines as above.
- The peril of giant power.* New Repub., Apr. 30, 1924. P. 1. The public should plan, own and control giant power in order that it may yield the fullest returns to society.
- Public utility tax problems.* Pub. Service Manag., June, 1924. Pp. 2. Five stages in taxation of railroads and other public utilities, as developed in a study made by H. D. Simpson.
- Recent statutes relating to carriers.* Col. Law Rev., May, 1924. Pp. 9. A survey of newer legislation and decided cases establishing principle of protecting established enterprise from competition in the utility field, especially in motor transportation, unless public good requires competition. "This is the new economic policy behind these statutes. The wisdom of it remains to be more fully tested. It is certain that it represents an almost complete reversal of the principles of the common law."
- Super-power covering 50,000 miles and 7,250,000 population.* Pub. Service Manag., May, 1924. Pp. 2. Coöperative agreements between nine independent companies are effecting a super-power network in so-called coal-field district, comprising parts of Pennsylvania, Ohio, Kentucky, West Virginia and Maryland.

## Accounting

(Abstracts by Martin J. Shugrue)

- BABSON, R. W. *The fundamental balance sheet.* Bankers Mag., April, 1924. Pp. 3. Analyzes fundamental conditions which affect conclusions to be arrived at from a study of the balance sheet.
- BLISS, J. H. *Control of fixed property investments.* Manag. and Admin., April, 1924. Pp. 6. Treatment of additions, betterments, replacements, repairs and depreciation.
- . *Surplus and its constructive application.* Manag. and Admin., May, 1924. Pp. 4. Sources of surplus and how it should be recorded and utilized.
- BOHNE, E. F. *Accounting for receiverships.* Univ. Jour. Bus., March, 1924. Pp. 11. Opening the books of the receiver, recording the receiver's transactions, winding up the accounts, reports to the court, and other matters described, in a simple, concrete way.
- BROWN, D. *Pricing policy applied to financial control.* Manag. and Admin., April, 1924. Pp. 5. Analysis of the factors which determine price policy for a manufacturer.
- CRAIG, J. D. *Allocation of expenses.* Proceedings Cas. Actuarial Soc., Nov. 16, 1923. Pp. 8. Methods employed in allocating expenses of companies which transact casualty and surety business. A discussion of the legal requirements and the broader principles.
- GREENWOOD, G. W. *New forms of depreciation schedules.* Manag. and Admin., June, 1924. Pp. 4. Some new mathematical methods of figuring depreciation.

- HANN, S. M. *Cost accounting and "overhead" in trust company operation.* Trust Companies, March, 1924. Pp. 3. Main features of a cost accounting system for a commercial bank.
- HATFIELD, H. R. *An historical defense of bookkeeping.* Jour. Accountancy, April, 1924. Pp. 13.
- MOREHOUSE, W. R. *Leaks in banking—how to stop them.* Am. Bankers Assoc. Jour., April, 1924. Pp. 3. Money lost in worthless advertising, booklets, novelties and other unnecessary overhead items of expense.
- PACE, H. S. *Relation of the accountancy instructor to the development of professional standards in the practice of accountancy.* Jour. Account., May, 1924.
- WALDRON, F. A. *Organization of the accounting division.* Manag. and Admin., April, 1924. Pp. 3. Describes a coördinated system of planning, routing and cost accounting.
- The determination of book value of capital stock.* Pace Student, April, 1924. Pp. 2. A concise explanation.

## Money, Prices, Credit, and Banking

(Abstracts by William O. Weyforth)

- AGGER, E. E. *Prosperity through a reduction of the rediscount rate.* Am. Bankers Assoc. Jour., June, 1924. Analyzes the manner in which a reduction in rediscount rates may stimulate prosperity. Concludes that no very decided results have followed reductions by the New York and Cleveland Federal Reserve Banks in May.
- AGUET, J. *Di alcuni gravi ostacoli all' introduzione del capitale estero in Italia.* Rif. Soc., Mar.-Apr., 1924. Pp. 41. The chief way of meeting a high exchange rate, which causes a high level of prices, is by introducing foreign capital, a procedure made difficult for reasons here set forth and discussed.
- ANSIAUX, M. *La stabilisation des changes dépréciés.* Rev. de l'Inst. de Sociol., Jan., 1924. The various methods of stabilizing the exchanges, and the conditions necessary for stabilization are described. If a régime of stabilization sometimes appears more fragile than a metallic standard, it is not because of any inferior technique, but because of the fresh memories of a period of severe depreciation of paper money.
- BELLERBY, J. R. *The monetary policy of the future.* Econ. Jour., June, 1924. Aim of monetary policy should be stabilization of prices, not merely within particular business cycles, but over long periods of time. Control of discount rates and open market operations of central banks can accomplish this. Return to the gold standard is opposed.
- BERNACER, G. *Discurso sobre los cambios.* Rev. Nacional de Econ., núm. 54, año IX.
- BRADFORD, E. A. *Branch banks vs. national banks.* Annalist, April 14, 1924. Competition between state and national banks imperils federal reserve system.
- BRANFORD, MRS. V. *Social credit.* Sociol. Rev., April, 1924. Advocates use of credit for social purposes such as building of houses. Loans are to be made by banks on the basis of currency certificates issued by the Treasury.
- BUNGE, A. E. *El costo de la vida y el poder de compra de la moneda. Unidad de valor.* Rev. de Econ. Argentina, Jan.-Feb., 1924. Pp. 21.
- CHANDLER, H. A. E. *British and American commercial money markets.* Commerce Mo., June, 1924. Shows similarities in the British and American commercial money markets. In each country the banking system is composed of three

- great separate institutions, namely, a system of commercial banks, an open commercial money market, and a reserve banking system.
- CHLEPNER, B. S. *L'évolution de régime bancaire en Belgique (suite)*. Rev. de l'Inst. de Sociol., March, 1924. Describes the crisis of 1848.
- COSIO, P. *El problema monetario y el secreto de los cambios*. Rev. de Econ. Argentina, Jan.-Feb., 1924. Pp. 31.
- DAVE, S. *Note on the divergence of the estimates of the volume of the rupee circulation in 1920*. Indian Jour. Econ., April, 1924.
- ELMENDORF, R. H. *Federal versus state control in conduct of commercial banking*. Trust Companies, June, 1924. The writer balances the advantages of operating a bank in New York state under a federal charter as compared to a state charter. Principal advantages are on the side of the state-chartered institutions.
- EMERITUS. *Bank amalgamation—"the last phase."* Bankers' Mag. (London), May, 1924. Great bank amalgamations begun in 1918 have reached their last phase. There are no more important banks to be taken in and the public and the Treasury would not stand for any amalgamations among the "big five." Amalgamations were in part the result of similar combinations in business. Expected evils have not developed.
- ESTEY, J. A. *Federal reserve banks and the rate of discount*. Bankers Mag., April, 1924. It is the direct pressure of individual banks upon their borrowers, and not the rate of interest, which largely serves to check the exuberance of business expansion. Changes in discount rates are important, however, as a signal that pressure is desirable.
- EVANS, S. *The "managed money" movement in the British Empire as viewed from South Africa*. Econ. World, April 26, 1924. Reprinted from Financial Supp. of "The Star," Johannesburg, Transvaal, So. Africa, March 11. Summarizes the history of the "managed money" idea in England and in the Union of South Africa. Writer thinks that sooner or later all such plans will fail because "managed money" is a money which is controlled directly or indirectly by politicians and they cannot be trusted with the manufacture of paper money for any length of time.
- FOSTER, W. T. and CATCHINGS, W. *Business conditions and currency control*. Harvard Bus. Rev., April, 1924. Praises policies of Federal Reserve Board in 1923. How did it happen that rise of prices, once well under way early in 1923, did not, like the similar movement a few years before, carry us forward to a boom, a collapse, and a depression? Answer is found in part in the state of mind of the bankers and business men and in the warnings of the economists, and in part in the discount and open market policies of the federal reserve banks.
- GREGORY, T. E. *Recent theories of currency reform*. Economica, June, 1924. Criticizes the monetary and credit theories of Keynes, Bellerby, and Hawtrey as set forth in their recent books.
- GRIZIOTTI, B. *La cassa di conversione ed i suoi problemi in Argentina*. Riv. Bancaria, March, 1924. Pp. 14. The banking difficulties of Argentina rest upon economic difficulties which result from world conditions.
- HAWTREY, R. G. *The report of the Federal Reserve Board, 1923*. Econ. Jour., June, 1924. Notes with approval the refusal of the Federal Reserve Board to have its policy determined mechanically by the index number of prices. Thinks that the Board has probably seen further into the practical problem of credit control than some of the theoretical supporters of the policy of stabilization.
- HOSE, R. J. *Banking and finance in South America*. Econ. World, May 3, 1924. A résumé of the banking and financial situation in the leading countries of South America.

- JOHNSTON, W. H. *Note on banking and economics in Austria.* Jour. Inst. Bankers, March, 1924. Comments on banking, stock exchange operations, foreign exchange and the economic condition of the people.
- KIDDY, A. W. *What is meant by a favourable exchange, and how does it affect the trade of a country?* Bankers' Mag. (London), April, 1924. Explains the theory of foreign exchange, summarizes the development of the exchanges during and since the war, and points out the difficulties at present confronting England in meeting her international obligations.
- LAGRÉNÉE, J. *La dépréciation monétaire et les valeurs mobilières françaises.* Rev. d'Econ. Pol., Jan.-Feb., 1924. Study of the effect of the fall in the value of the franc upon the values of personal property in France, showing how it has had the effect of decreasing the real value in almost all cases, in spite of the apparent increase in a number of them.
- LAUGHLIN, J. L. *The quantity-theory of money.* Jour. Pol. Econ., June, 1924. Attempts to point out fallacies in the quantity-theory of money. Writer considers that the truth is the very opposite of that implied in the quantity-theory. When expenses of production rise, prices rise and the quantity of money and credit used to exchange the goods is necessarily stated in larger figures.
- LIÈSE, A. *Sur l'assainissement monétaire et financier de l'Autriche.* L'Econ. Franç., April 12, 1924. In the year that the new National Bank of Austria has been in operation the note circulation has increased from 4470 billion paper crowns to 7700 billion, the latter representing 540 million gold crowns. This is covered, however, by more than 305 million gold crowns in gold and foreign currencies.
- . *Sur l'assainissement monétaire de l'Allemagne: la Rentenbank et la Banque d'Escompte-or.* L'Econ. Franç., April 5, 1924. The rentenmark and the rentenbank are considered only temporary palliatives. The new gold bank organized by Herr Schacht is described. This bank will be especially important in connection with foreign exchange.
- MELROSE, C. J. *Geldpolitiek als middel ter verzekering van een onveranderlijk algemeen prijspeil.* De Econ. (Dutch), May, 1924. Pp. 12. Discusses the possibility of maintaining a stable price level on a gold basis.
- MILDSCHUH, W. *Kreditinflation und Geldtheorie.* I. Archiv f. Sozialwis. u. Sozialpolitik, 3 Heft, 51 Band. A study of credit inflation and deflation and their effects at home and abroad together with the conclusions to be drawn in connection with monetary theory and policy and the explanation of the changes in price levels.
- NEUMARK, F. *Bemerkungen zum Streit um die staatliche Theorie des Geldes.* Jahrb. f. Nationalök. u. Stat., Jan.-Feb., 1924. Discusses Melchior Palyi's treatment of the controversial literature caused by G. F. Knapp's *Staatliche Theorie des Geldes*, published in 1905.
- PEANO, C. *L'organizzazione bancaria svizzera durante e dopo la guerra.* Riv. di Pol. Econ., March, 1924. Pp. 4.
- PILLAI, P. P. *The financing of Indian industry.* Indian Jour. Econ., April, 1924. Urges the establishment of industrial banks of the type that figured so conspicuously in the industrial development of Germany prior to the war.
- PLATTEN, J. W. *Trust companies during past twenty years.* Trust Companies, March, 1924. Gives statistics for the years 1903-1923.
- PRION, W. *Deutsche Kreditpolitik 1919-1922.* Schmollers Jahrb., 1-4 Heft, 47 Jahrg. Considers the credit requirements of business enterprises, financial policy during periods of inflated profits, the three periods of monetary depreciation, and the credit policy of the Reichsbank.
- PUTNAM, G. E. *If we pile up another billion in gold.* Am. Bankers Assoc. Jour., May, 1924. Writer thinks that if we continue in the policy of drawing all the

gold the foreign mines produce and of drawing on the gold reserves of foreign banks besides, and then of maintaining our excess stocks in idleness, it is equivalent to reducing the world's supply of gold money (so far as its capacity to affect prices is concerned), and this must inevitably reduce the world's level of gold prices.

RYDBECK, O. *A Swedish banker's experience with regard to inflation and deflation.* Jour. Inst. Bankers, April, 1924. It would be the wisest course for Sweden to defer her return to the gold standard until several countries concurrently, and chief among them England, decide to take that step. Until that time comes, Sweden should continue its krona on a gold par with the dollar, at any rate so long as there are no alarming signs of serious changes in the American price level.

SCHUSTER, SIR F. *Currencies: foreign and our own.* Bankers' Mag. (London), June, 1924. Favors the restoration of the gold standard in England and the transfer of the currency note issue to the Bank of England.

SHERWELL, G. B. *Puzzle of the Chilean peso's plunge.* Am. Bankers Assoc. Jour., June, 1924. Although according to official statistics the balance of trade of Chile is favorable, as a matter of fact it is really unfavorable on account of the practice of foreign-owned industries of sending their profits abroad, and this is really the cause of the decline of the peso in the foreign exchange.

SISSON, F. H. and others. *Symposium on trend and future of interest rates and prices.* Trust Companies, April, 1924. There is difference of opinion as to whether the long-time swing of interest rates and prices will be up or down. It is generally agreed, however, that for the immediate future the discount policy of the Federal Reserve Board will be largely controlling.

STUART, G. M. V. *Das Geldwesen Niederländisch-Indiens.* Weltwirtsch. Archiv, Jan., 1924. Considers the problem of whether the existing monetary union between the Netherlands and the Dutch East Indies shall be maintained in the future.

TARGETTI, R. *Il cambio e la situazione monetaria dell'Italia.* Riv. di Pol. Econ., March, 1924. Pp. 12.

WILLIS, H. P. *Are we demonetizing gold?* Annalist, April 7, 1924. Continued absorption of gold by the United States may lead other nations to abandon that standard in theory as well as in fact. Conservative elements in foreign countries would oppose this and there is still hope of collaboration between the United States and other countries to bring about the restoration of the gold standard.

———. *Putting the dollar to work in Europe is business, not sentiment.* An-  
nalist, May 26, 1924. Urges making of loans in Europe for manufacturing or trading purposes either by member banks or federal reserve banks. This would aid our foreign trade, and enable us to get interest on a large part of the useless gold we are now carrying.

*Le budget d'état et la réforme monétaire en Russie soviétique.* L'Econ. Franç., May 17, 1924. Analyzes the figures for the Russian budget of 1923-1924.

*La circulation monétaire en 1923.* L'Econ. Franç., March 15, 1924. Summary of the report of the Control Commission to the President of the French Republic on the coinage of money in 1923. The coinage of token money to take the place of the notes issued by various chambers of commerce was carried out intensively. No silver or gold was coined in France.

*Discussion on monetary reform.* By Cannan, Hawtrey, Addis, Keynes, and Milner. Econ. Jour., June, 1924. Professor Cannan and Sir Charles Addis favor a return by England to the gold standard. Mr. Hawtrey wants a return to the gold standard, but with international agreements among the central banks to regulate that standard so as to stabilize prices and lessen the fluctuations of the credit

cycle. Mr. Keynes has the same purposes in view as Mr. Hawtrey, but believes that there are practical objections in the way of the restoration of the gold standard.

*National bank circulation.* Commerce Mo., June, 1924. By O. C. L. Analyzes present situation as regards national bank circulation. The future of the circulation is bound up with the government's financial policy, that is, its policy as to the redemption of bonds serving as security.

*The progress of banking in Great Britain and Ireland during 1923.* Bankers' Mag. (London), June, 1924. Shows balance sheet of banks, with comment upon the movement of deposits. The purchasing power of the community, as measured by its banking deposits, rose approximately by 130 per cent between the end of 1914 and the end of 1921, and since then there has been a reduction of 20 per cent of the 1914 total or of less than 9 per cent of the total when the decline began.

*United States Supreme Court upholds fiduciary rights of national banks.* Trust Companies, May, 1924. United States Supreme Court reverses decision of the Supreme Court of Missouri and upholds right of national bank to serve as executor or administrator in spite of state statute excluding national banks as well as state banks from assuming such functions.

## Public Finance

(Abstracts by Charles P. Huse)

BLISS, Z. W. *Fundamental requisites of tax reform.* Bull. Nat. Tax Assoc., March, 1924. Pp. 7. The requisites are a better-trained body of tax officials and an electorate educated in sound economic and financial theories.

BOGART, E. L. *Taxation in Persia.* Bull. Nat. Tax Assoc., March, 1924. Pp. 3. The American financial mission found the national government relying mainly on the ancient land tax, a modern customs system, taxes on opium and tobacco and oil royalties.

BRADFORD, R. L. *Objections to increased federal estate tax and gift tax.* Trust Companies, May, 1924. Pp. 6. Believes the rates will discourage industry.

BROWN, H. G. *Is a tax on site values never shifted?* Jour. Pol. Econ., June, 1924. Pp. 8. In the main, it cannot be shifted.

— *The single-tax complex.* Jour. Pol. Econ., April, 1924. Pp. 27. Analyzes arguments commonly used in opposition to the single-tax for the purpose of discussing the methods of investigation and the state of mind of some investigators.

CHAPMAN, T. S. *Inheritance taxes.* I. B. A. of A. Bull., March 31, 1924. Pp. 13. Summarizes the laws of the various states in respect to the transfer of corporation bonds held by non-resident decedents.

CHRISTIE, T. L. *Historical precedents for repeal of federal estate taxes.* Trust Companies, March, 1924. Pp. 2. Heretofore these taxes have had an average life of only about five years.

COMSTOCK, A. *France turns to tax reform.* Annalist, April 21, 1924. Pp. 2. France recognizes at last the severity of her fiscal difficulties.

CONVERSE, C. C. *Taxation of telephone property.* Bull. Nat. Tax Assoc., April, 1924. Pp. 4. Favors taxing gross receipts.

DODGE, H. J. *Which tax plan do we want?* Bull. Nat. Tax Assoc. Compares the Longworth, Learner, and Mellon plans.

- DUDLEY, A. S. *Railroads and taxation*. Bull. Nat. Tax Assoc., March, 1924. Pp. 5. Because of government regulation of rates, a reduction in railroad taxes would ultimately help the public as consumers.
- GATES, J. *When inheritance taxation spells confiscation*. Trust Companies, June, 1924. Pp. 3. When it discourages thrift and initiative.
- GOTTLIEB, L. R. *Post-war local burdens*. Jour. Pol. Econ., April, May, 1924. Pp. 10, 7. While the federal tax burden is growing lighter, local taxation is increasing. Voters should scrutinize expenditures more carefully and insist on better budgetary and accounting methods.
- HAAS, G. C. *Assessment of farm real estate*. Reprinted from Proc. Nat. Tax Assoc., vol. XVI. Pp. 27. Uses concrete cases to illustrate a scientific method of valuing farm real estate.
- HAY, E. G. *Judicial decisions in administration of tariff law*. Am. Bar Assoc. Jour., May, 1924. Pp. 3. A former member of the United States board of general appraisers traces the development of this judicial body, and suggests that a similar procedure be followed in the case of disputes growing out of the income tax.
- HOSTLET, G. *Les données statistiques du problème des réparations*. Rev. des Etudes Coop., Jan.-Mar., 1924. Pp. 23. Examines statistics relating to the purchasing power of gold, to government budgets, and to the course of foreign trade.
- JÈZE, G. *El empréstito interno en la Argentina*. Rev. de Econ. Argentina, Jan.-Feb., 1924. Pp. 13. By bringing to an end her chronic deficits, Argentina will remove the only obstacle to the establishment of a true internal debt. The ownership of the public funds by her citizens will strengthen the country politically and also bring a saving to the treasury.
- . *L'immunité fiscale des titres de la dette publique aux Etats-Unis*. Rev. de Sci. et de Légis. Finan., Jan.-Feb.-Mar., 1924. Pp. 10. Traces the development of the policy followed by the United States in exempting its public debt from taxation.
- . *El impuesto a la renta en las estados modernos*. Rev. de Econ. Argentina, Dec., 1923. Pp. 15. Discusses the merits of the income tax, its different types, and advises Argentina to proceed gradually from one taxing by schedules to a tax on incomes as a whole.
- . *La monnaie de paiement dans les contrats entre particuliers et dans les emprunts publics d'état*. Rev. de Sci. et de Légis. Finan., Jan.-Feb.-Mar., 1924. Pp. 136. A comprehensive study of the theory and of the practice in leading countries, especially since 1914, with regard to the payment of debts, both public and private, contracted under a different monetary standard.
- . *Relaciones entre el régimen fiscal nacional y los regímenes provinciales en la Argentina*. Rev. de Econ. Argentina, March, 1924. Pp. 12. The fiscal systems of both the provinces and the national government are not only badly organized but also without coördination.
- KEEFE, H. L. *How we cut our local taxes*. Bull. Nat. Tax Assoc., May, 1924. Pp. 4. By arousing public interest in the ways money was raised and spent.
- LEON, G. N. *Die Reform der direkten Steuern in Rumänien*. Jahrbücher für Nationalök. und Stat., Jan.-Feb., 1924. Pp. 17. Greater uniformity has been brought into the old direct taxes of the various provinces of the enlarged kingdom and a progressive income tax has been introduced.
- LEWIS, R. A., JR. *The elastic tariff begins to stretch*. Am. Bankers Assoc. Jour., April 1924. Pp. 3. Describes the procedure of the Tariff Commission in gathering data on comparative costs for the uses of the president.

- LOEHR, L. L. *Uniformity in taxation of decedent estates*. Trust Companies, May, 1924. Pp. 3. Interstate comity should limit the taxation of a decedent's personality to the state of domicile.
- LONG, H. F. *Taxation and registration of motor vehicles*. Bull. Nat. Tax Assoc., May, 1924. Pp. 5. The commissioner of taxation of Massachusetts describes the present methods in that state and attempts at reform.
- MCCARTHY, E. *When does a tax accrue?* Jour. Accountancy, April, 1924. Pp. 7. Refers to laws, treasury regulations, and legal decisions.
- MANN, K. *Besteuerung und Volkswirtschaft. Zum Abschluss*. Schmollers Jahrb., 1-4 Heft, 47. Jahrg.
- MARSHALL, R. S. *State taxation of business corporations*. Bull. Nat. Tax Assoc., April 1924. Pp. 4. Examines the methods used by New York, Massachusetts, and Connecticut.
- MONBERT, P. *Besteuerung und Volkswirtschaft. Eine Erwiderung*. Schmollers Jahrb., 1-4 Heft, 47. Jahrg. Pp. 7. Discusses the effect of taxation on national wealth.
- NELSON, D. *How inheritance taxes penalize charitable and educational bequests*. Trust Companies, April, 1924. Pp. 2. Only nine states give full exemptions. Most of the remaining exempt only in case the recipient organization is located within the state.
- PENNYBACKER, J. E. and GULICK, L. *Two views on the financing of street improvements*. Nat. Munic. Rev., April, 1924. Pp. 8. Presents the arguments for and against the use of special assessments.
- PINHEIRO, N. *Finanças nacionais*. Rev. de Direito Publico, no. 4, vol. VII, 1924. Pp. 23. Reviews the condition of Brazil's finances, monetary system and foreign trade.
- PLEHN, C. C. *Spending, not taxing, counts*. Nation's Bus., May, 1924. Pp. 3. A plea for wisdom in public expenditures.
- RAMAIA, A. *Protection to the Indian steel industry*. Indian Jour. Econ., April, 1924. Pp. 15. Protection by means of bounties or import duties must be supplemented by facilities providing an adequate supply of skilled labor, technical knowledge, and capital.
- RIGHTOR, C. E. *The bonded debt of 201 cities as at January 1, 1924*. Nat. Munic. Rev., June, 1924. Pp. 9. Figures show tendency for debt to increase and growing use of serial bonds.
- RYAN, J. A. *The progress of tax reduction*. Catholic Charities Rev., April, 1924. Pp. 2. Does not find the arguments in favor of the Mellon plan convincing.
- SELIGMAN, E. R. A. *Comparative tax burdens in the twentieth century*. Pol. Sci. Quart., March, 1924. Pp. 41. From a survey of taxation before, during, and since the war, the author finds the United Kingdom bearing the greatest tax burden in 1919, with Germany, France, and the United States following in order.
- WADIA, P. A. *True basis of protection for India*. Econ. Jour., June, 1924. Pp. 7. It should not be used to drive her people into factories and the mad struggle for markets, but rather to make her self-sufficing.
- WILLIAMS, W. M. J. *Le budget britannique*. Jour. des Econ., May 15, 1924. Pp. 8. In spite of tax reductions, the budget of 1923-4 was able to show a substantial surplus.
- The gasoline tax widely adopted by states*. Nat. Munic. Rev., April, 1924. Pp. 5. Already adopted by thirty-six states.

## Population

(Abstracts by A. B. Wolfe)

- ABBOTT, E. *Federal immigration policies, 1864-1924*. Univ. Jour. of Bus., March, 1924. Pp. 24. Historical outline of state and federal legislation to 1917, to be continued.
- BEVERIDGE, W. *Mr. Keynes' evidence for overpopulation*. Economica, Feb., 1924. Pp. 20. The sole issue is whether Europe was already before the war overpopulated. Holds there is no positive evidence to support Keynes' views. (See *Economic Journal*, December, 1923.)
- BRUÈRE, M. B. *The black folk are coming on*. Survey, July 15, 1923. Pp. 4. A review of the industrial and social causes and effects of negro migration to the North.
- DAVIS, J. J. *An American immigration policy*. Am. Fed., April, 1924. Pp. 4. States the Commissioner of Labor's well-known views.
- DOUGLAS, P. H. *Family allowances and clearing funds in France*. Quart. Jour. Econ., Feb., 1924. An informing exposition of a subject which has considerable interest for the student of population.
- FAUCHILLE, P. *The rights of emigration and immigration*. Intern. Lab. Rev., March, 1924. Pp. 17. Holds that the individual has an inalienable right to emigrate or immigrate which may not be arbitrarily infringed by the state. But this right is recognized as limited by the state's right of self-protection.
- HANSEN, S. *De Forende Staters Indvandringspolitik*. Nat. ök. Tids., no. 2, 1924. Pp. 15. A presentation of the immigration policy of the United States, especially as it concerns the Scandinavian countries.
- HILL, J. A. *Recent northward migration of the negro*. Mo. Lab. Rev., March, 1924. Pp. 14. An authoritative statistical presentation of the subject.
- MOLTENI, G. *La fase odierna del problema dell' emigrazione italiana negli Stati Uniti*. Riv. Internaz., March, 1924. Pp. 29.
- NYSTRÖM, B. *Emigrationsfragan och emigrationspolitiken i Schweiz*. Soc. Med., no. 1, 1924. Pp. 9. A report on Swiss emigration problems and emigration politics.
- RICHERT, J. *Den italienska emigrationen*. Soc. Med., no. 1, 1924. Pp. 11. A study of Italian emigration from 1881 and on.
- THOMPSON, W. S. *Eugenics as viewed by a sociologist*. Mo. Lab. Rev., Feb., 1924. Pp. 13. Reprinted from the *Publications of the American Sociological Society for 1923*. Adversely critical of the eugenic creed.
- A century of immigration*. Mo. Lab. Rev., Jan., 1924. Pp. 5. A brief statistical review, from the *Eleventh Annual Report of the Secretary of Labor for the year ended June, 1923*.
- Kanada som invandringsland*. Soc. Med., no. 3, 1924. Pp. 5. Summarizes an official Danish investigation of Canadian attractions for emigrants. The report is on the whole favorable.
- Negro migration in 1923*. Mo. Lab. Rev., April, 1924. Pp. 3. Estimates of 478,699 negro migrants from southern states in the year ending September 1, 1923. Thirty-seven per cent went to Ohio, 22 per cent to Pennsylvania, 10 per cent to Michigan.
- Provisions of immigration bills discussed*. Greater New York, April 14, 1924. Pp. 3. The Merchants' Association of New York goes on record against the 2 per cent ratio and the 1890 base.

## Insurance and Pensions

(Abstracts by Henry J. Harris)

- BAGGE, G. *Pensionsförsäkringen*. Ek. Tids., no. 1 and 2, 1924. Pp. 44. A lecture discussing the Swedish pension system, delivered before the Swedish National Economic Association.
- BAIN, E. *Insurance in relation to commerce: the state and the unemployment problem*. Wool Record & Textile Rec., March 13, 1924. Pp. 2.
- COX, R. L. *Don't be sold insurance—buy it*. Nation's Bus., May, 1924. Pp. 2. How much insurance one should buy at a given rate depends upon one's view of the economic value of his life in relation to other lives for a certain number of years.
- DREYFUS, J. F. *Les prévisions statistiques et financières relatives au projet de loi sur les assurances sociales* (concluded). Jour. Soc. de Stat. de Paris, March, 1924. Pp. 11.
- ELDERTON, W. P. and OAKLEY, H. J. P. *Notes on the interpretation of "select" rates of mortality*. Jour. Inst. of Actuaries, March, 1924. Pp. 27. Analysis of such rates showing the influence of "temporary selection" and of "class selection."
- GADSBY, M. *Steadying the worker's income—establishment of unemployment insurance plans*. Mo. Lab. Rev., April, 1924. Pp. 22. Description of plans now in use in several large establishments; method of operation and effect in reducing unemployment. Some of the plans are insurance systems, others a partial guarantee of employment.
- GIBB, D. E. W. *Recent developments in Lloyd's*. Harvard Bus. Rev., April, 1924. Pp. 9. Development of the audit and guarantee at Lloyd's.
- HOFFMAN, F. L. *Unemployment insurance by industries from the standpoint of American conditions*. Econ. World, April 26, 1924. Pp. 2. Reprinted from the Spectator (N.Y.), April 3. Any such insurance requires the assistance of a well-developed system of employment exchanges; its absence here makes any of the European plans impossible. The solution lies in the accumulation of an "industrial depression reserve," either by firm alone or jointly with wage-earners. Experience of prominent manufacturing concern cited.
- LAIING, J. M. *Notes on the Industrial Assurance act, 1923*. Jour. Inst. of Actuaries, March, 1924. Pp. 56. History and provisions of the act, with extensive comment on various features.
- NORMAND, P. A. *Rain insurance in theory and practice*. Econ. World, April 26, 1924. Pp. 2. The contract is one of indemnity and no payments are made without proof of loss. Purchasers of contracts are those engaged in conducting open-air business, baseball, etc., fairs, parks, contractors penalized for non-completion of construction, department stores, etc. Carriers have not yet found the business profitable.
- PAPPS, P. C. H. *Which is the best life insurance policy?* Econ. World, June 28, 1924. Pp. 2. Reprinted from "The Pelican," Mutual Benefit Life Ins. Co., Newark, N. J., April, 1924. Shows the contribution to reserve, initial reserve, interest, terminal reserve, amount of insurance, premium per \$1,000, and contribution to mortality under three popular policies.
- STODDARD, F. R., JR. *The restrictive provisions of the New York insurance law and the licensing of insurance companies of other states*. Econ. World, June 7, 1924. Pp. 5. New York has required foreign companies to restrict their operations in other states to the same limits as New York imposes on its town corporations.
- VORYS, A. I. *Property and casualty insurance as affected by special insurance taxes*. Econ. World, May 17, 1924. Pp. 3. Assuming Ohio as a representative

state, these taxes are unjust and unreasonable. The normal tax on premiums amounts to 38 per cent of the net income of the companies. Suggests that policies should have the annual premiums stated in such form that the tax is given as an additional charge.

WINTER, W. D. *The romance of marine insurance*. Econ. World, June 21, 1924. Pp. 3. Historical aspects. At present the business is going abroad because of taxation handicaps.

*National health insurance in England from 1918 to 1923*. Intern. Lab. Rev., April, 1924. Pp. 14. Summary of provisions of system and operations. The general condition of the carriers in 1922 was satisfactory; the prolonged industrial depression will probably influence unfavorably the health of the insured population as well as the finances of the system.

*Recommendations of British Imperial Economic Conference respecting workmen's compensation*. Mo. Labor Rev., April, 1924. P. 1. Resolutions adopted in respect to non-resident workmen, seamen, and aliens.

*Shall the Oregon state insurance fund be made competitive?* Mo. Labor Rev., April, 1924. Pp. 2. A special commission appointed by the governor states the reasons which induced it to report adversely.

*Social insurance in Sweden*. Mo. Labor Rev., June, 1924. Pp. 4. Account of systems, which include accident, old-age-invalidity, sickness-maternity, and unemployment.

*Teachers' retirement annuity principles*. Jour. of Nat. Education Assoc., June, 1924. P. 1. By the N.E.A. Committee on Pensions. Under eleven headings, the essentials of a sound retirement system are given in condensed form. A full report by the committee will be published this year.

*Unemployment insurance in the United States*. Greater New York, May 19, 1924. P. 1. By the Merchants' Association of New York; gives the Cleveland and the Chicago plans.

## Statistics

(Abstracts by Bruce D. Mudgett)

BHATNAGER, B. G. *Kautilya circle*. Indian Jour. Econ., April, 1924. Pp. 15. Detailed questionnaires for study of the family budgets of (1) an agriculturist and (2) a village artisan.

BLASCHKE, E. *Zur Konstruktion von Sterbetafeln der allgemeinen Bevölkerung*. Giorn. di Matematica Finanz., Dec., 1924. Pp. 24.

BOURGOIN, H. *Remarques sur l'utilisation des statistiques sidérurgiques nationales et régionales (1789-1835)*. Jour. Soc. de Stat. de Paris, March, April, 1924. Pp. 6; 13. Changes in the number of forges and foundries in operation between the two given dates are discussed in relation to changes in economic conditions.

DAVIES, G. R. *The problem of a standard index number formula*. Jour. Am. Stat. Assoc., June, 1924. Pp. 9. Seeks a standard index number formula which is theoretically correct as a basis for judging formulas in practical use. Accepts the time-reversal test and insists, against Professor Fisher's position, upon necessity of meeting circular test; and rejects the factor-reversal test. Proposes index number obtained (for prices) by dividing total selling (or produced, or other weight criterion) value by total dollar's worth for period obtained by multiplying quantity by average price over whole period.

DUGÉ DE BERNONVILLE, L. *Les indices du mouvement général des prix en France*. Jour. Soc. de Stat. de Paris, May, 1924. Pp. 5. A brief discussion of index number theory, inspired in large part by Professor Fisher's book.

- FALKNER, H. D. *The measurement of seasonal variation*. Jour. Am. Stat. Assoc., June, 1924. Pp. 13. Author reviews the three usual methods of eliminating seasonal variation—monthly means, link relatives, and moving average—then presents her own method. The procedure is to take ratios of observed values to trend, to make from there a multiple frequency table and to select from this table a seasonable type value for each month; then to correct these crude indexes by dividing both the average of the twelve and expressing each result as a percentage.
- FISHER, I. *Mr. Udny Yule on index numbers*. Jour. Royal Stat. Soc., Jan., 1924. Pp. 10. Professor Fisher's reply to Mr. Yule's review of his book *The Making of Index Numbers*. Devoted principally to Mr. Yule's insistence that the purpose of an index number affects the choice of formula.
- FISHER, R. A. *The distribution of the partial correlation coefficient*. Metron, I-II, 1924. Pp. 5.
- GAETANO, P. *Interpolating plane curves*. Metron, I-II, 1924. Pp. 18. Method of fitting curves to observations on assumption that independent, as well as dependent, variable is subject to error. An extension of previous studies by L. F. Reed and C. Gini.
- GINI, C. and BERARDINIS, L. *Sulle vaccinazioni antitifiche nell'esercito italiano durante la guerra*. Metron, I-II, 1924. Pp. 60.  
A preliminary study of anti-typhus vaccination with conclusions as to its effect upon the progress of the disease and upon the death rate.
- GREENWOOD, MAJOR. *On some statistical aspects of the problem of human nutrition*. Metron, I-II, 1924. Pp. 15. The historical review of studies of human nutrition; the author then considers individual variations in nutrition requirements and points out the direction which future studies will probably take.
- GURADZKE, H. *Die Brotpreise und Kosten der Lebensbedarfe in Berlin in Jahre 1923*. Jahrb. f. Nationalök. u. Stat., Dec., 1923. Pp. 3.
- HALL, L. W. *Seasonal variation as a relative of secular trend*. Jour. Am. Stat. Assoc., June, 1924. Pp. 11. Analysis shows difference between seasonal variation calculated as an absolute amount and as a relative of trend; and reasons are given for considering the latter method the more correct one.
- HART, H. *A simplified method of determining what contracts between two percentage distributions are significant*. Jour. Am. Stat. Assoc., March, 1924. Pp. 5. Shows how curves may be constructed for rapid determination of the fluctuations of sampling in the observed difference between two proportions.
- HERSCH, L. *Quelques considérations sur le calcul des index généraux des prix*. Zeitschr. f. Schweiz. Stat. u. Volkswirts., Heft 1, 60 Jahrg. Pp. 39. A study of index number formulas, simple and weighted arithmetics and geometrics, bearing close resemblance to Professor Fisher's conclusions on these formulas, but written before the latter published his last book.
- HEXTER, M. B. *The business cycle, relief work, and desertion*. Jewish Social Service Quart., Feb., 1924. Pp. 30. A study of the cyclical variations in the number of families under care of the United Hebrew Charities in New York City. The method of analysis followed to measure cyclical variations is that used by the Harvard Committee on Economic Research.
- INGALLS, W. R. *Our wealth and savings to 1924*. Annalist, June 16, 1924. Pp. 2. Approximate estimates of income and savings by years, 1913 to 1923 inclusive.
- KNIBBS, G. H. *The nature of an unequivocal price index and quantity index*. Jour. Am. Stat. Assoc., March and June, parts I and II, 1924. Pp. 19; 10. A search for an unequivocal index number formula—the only one, says the author, is that “computed by applying the prices of the compared dates to a definite regimen, and ascertaining the ratio of the aggregate values. . . . The best regimen is that

in which the quantities are the means of their values at the compared dates. There is no possibility of a real continuity of indexes, except on the basis of a common regimen which sufficiently accurately represents actual usage over the whole of the period to be compared by a system of indexes."

LIVI, L. *Un' indagine sulla dinamica dei redditi nella crisi della guerra e del dopoguerra*. Metron, I-II, 1924. Pp. 34.

LOTZ, W. *Kritische Studien über die Statistik der deutschen Kriegsanleihen*. Schmollers Jahrb., 1-4 Heft, 47 Harg. Pp. 35. Explanations of errors in published figures of German war loans, and table presenting corrected figures.

MARCH, L. *Les indices économiques*. Metron, I-II, 1924. Pp. 29. Discussion of index number theory, and presentation of the resolutions adopted by the International Statistical Institute on this subject.

———. *La XVe Session de l'Institut International de Statistique, Bruxelles (1-6 octobre, 1923)*. Jour. Soc. de Stat. de Paris, April, May, 1924. Pp. 12; 10. A review of the sessions of the Institute. The author's remarks are followed by the text of the resolutions passed by the Institute covering economic and demographic statistics. Among the former, the resolutions covering index numbers will be of interest to many American readers. Separate resolutions cover index numbers of wholesale prices; quantities; value of money; retail prices; cost of living, etc.

MAUSS, M. *La statistique nationale des prix*. Rev. des Etudes Coop., Jan.-March, 1924. Pp. 8. A plea for better statistics of prices and quantities in France in the interests of the consumer.

MINETOLA, S. *Sull' estensione del concetto di probabilità*. Giorn. d. Matematica Finanz., Dec., 1924. Pp. 19.

PTUCHA, M. *Die Sterblichkeit in Russland*. Metron, I-II, 1924. Pp. 52. Material available; the history of the study of Russian mortality. This is followed by study of mortality in European Russia and the Ukraine at the close of the nineteenth century.

RIDER, P. S. *A generalized law of error*. Jour. Am. Stat. Assoc., June, 1924. Pp. 4. A further consideration of the problem discussed in the September, 1923, *Journal*, by Professor E. B. Wilson.

RUBINOW, I. M. *Relief budgets and standards of living*. Jewish Social Service Quart., Feb., 1924. Pp. 13. A comparison of the relief budget used by the Jewish Welfare Society of Philadelphia with a standard budget established by the Philadelphia Bureau of Municipal Research; and a discussion of the dangers inherent in attempts to maintain a given "standard" in all "relief" families.

SAVORGAN, F. *La fecondità della aristocrazia*. Metron, I-II, 1924. Pp. 30.

SNYDER, C. *A new index of general price level*. Jour. Am. Stat. Assoc., June, 1924. Pp. 7. His general price level index is a composite of wholesale commodity prices, wages, cost of living and rents. Its accuracy is checked by dividing it into the estimated total of checks against bank deposits (the latter as a measure of payments of all kinds in exchange of goods, property and services) and comparing the result (being thus an estimate of total quantity of trade) with two measures of trade activity recently calculated by the author. Professor Fisher will be interested in the acceptance of his factor-reversal test implied in this procedure.

STERN, F. H. *Population estimating*. Bell Telephone Quart., Jan., 1924. Pp. 7.

WILLIS, H. P. *Ten years' experience in business statistics*. Jour. Am. Stat. Assoc., June, 1924. Pp. 11. A history of the efforts of the Federal Reserve Board to develop better banking and other statistics. An "inside" view (since the author assisted in a major portion of this effort) which gives in some detail the obstacles

met and the frequent discouragements. It is unfortunate that the author persists in the notion that the "conflict" between the gatherers of better statistics and the mathematical analysis cannot be resolved.

WINKLER, W. *Die "best Indexformel."* Bemerkungen zu Irving Fishers "The Making of Index Numbers." Jahrb. f. Nationalök. u. Stat., Dec., 1923. Pp. 11. Agrees, broadly, with Professor Fisher that the weighted aggregative formula is best; but insists that index number theory still holds many unresolved problems.

WOODBURY, R. M. *Economic factors in infant mortality.* Jour. Am. Stat. Assoc., June, 1924. Pp. 19. An analysis of Children's Bureau data to measure relation of infant mortality to income after correction for such factors as nationality, color, differences in medical and nursing care, mothers' employment, etc.

ZAGLITS, O. *Index and Wechselkurs.* Zeitschr. f. Volksw. u. Sozialpol., 7-9 Heft, 1923. Pp. 20. Use of index numbers under conditions of currency inflation. Effect of inflation upon exchange rates; significance of indices for regulation of wages under inflation.

*Electric power consumption as an economic index.* Manchester Guardian Commercial, May 8, 1924. Pp. 2. The relatively backward status of electricity supply in Great Britain and lack of published statistics deter the compilation of this important index of current production.

*Full text of the report of the committee of experts requested to examine the methods of the Census Bureau relating to cotton statistics.* Econ. World, April 12, 1924. Pp. 2. A committee appointed by Secretary Hoover to examine and report on the accuracy of statistics of cotton supply and distribution. They made material corrections in the report issued in August, 1923, and recommended, as a basis for future improvement in reports, that Congress grant the Census Bureau greater authority for the collection of information on distribution of the cotton supply.

*An index of the labor market.* Fed. Reserve Bull., Feb., 1924. Pp. 5. The second index of employment published by the Federal Reserve Board—the data derived from data of employment offices in six states—the index planned and its construction directed by Dr. William Berridge.

*Indices du mouvement général des affaires.* Inst. de Stat. de l'Université de Paris. Pp. 4. Brief description of indices of general business conditions being issued by Harvard University, the Universities of London and Cambridge, and the University of Paris.

## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

TRADING IN GRAIN FUTURES (Senate Doc. No. 110, 68 Cong., 1 Sess.). This is a report to the Senate made by the Grain Futures Administration with regard to trading in wheat futures on the Chicago Board of Trade during the calendar year 1923. The report is confined to statements of fact, is in summary form, and is highly condensed.

The principal items of information contained in the report are as follows: number of "clearing members" of the Chicago Board of Trade; number carrying accounts in wheat futures which were in 1923 in the "half million" class; number of such accounts; and classification of such accounts into those representing "commission houses," "hedgers," "speculators," and "spreaders." Forty-five "hedging" accounts are distinguished and thirty-two speculative accounts. These two groups are subjected to analysis, both on a monthly basis and a weekly basis, with reference to their trading and also to their position on the market, as "long" or "short."

Among the general observations which seem to be supported by the evidence are as follows:

At no one time during the year were all the forty-five accounts in the "hedging" group or all the thirty-two accounts in the speculative group "active."

At no time during the year were all the "active" "hedging" accounts or all the "active" speculative accounts on one side of the market.

The combined net position of the "active" accounts in the "hedging" group was always "short," and the combined net position of the "active" accounts in the speculative group was almost always "short."

The "hedging" group of large accounts was responsible for about 3.3 per cent of the total trading, and about 18 per cent of the aggregate "customers' open interest," while the group of large speculative accounts was responsible for about .27 per cent of the total trading and about 4 per cent of the aggregate "customers' open interest." The figure representing "customers' open interest" requires careful definition which it receives in the report.

The "hedges" carried for the hedging group, which was always "short," amounted at the end of the year to more than 25,000,000 bushels, against about 9,000,000 bushels at the beginning of the year.

The largest speculative accounts, namely, those belonging to the "million" class, were more consistently on the "short" side than the speculative accounts of smaller proportions.

An interesting group of accounts presented in a summary table (Appendix IV) evidently calls for further analysis. It represents, for the most part, grain futures commission houses located outside Chicago and holding no membership in the Clearing House. This group includes fifty-five accounts. At the end of the year, eleven of these were "even," ten were "short," and forty-four were "long," and their combined net position was 18,782,000 bushels "long." But no attempt is made to distribute these items as between "hedgers" and "speculators."

Fuller information, more carefully analyzed, is promised for subsequent reports of the Grain Futures Administration.

C. E. PARRY.

The Federal Trade Commission has made public the second volume of its report on *House Furnishings Industries*, relating to *Household Stoves* (Washington, 1924, pp. 187). This report treats of the prices and profits of stove manufacturers and of the extent to which competition among them is restricted.

The United States Tariff Commission has printed its report on *Wheat and Wheat Products*, showing the difference in costs of production of wheat, wheat flour and wheat mill feed in the United States and Canada (Washington, 1924, pp. 71).

The hearings before the House Committee on Agriculture on the *McNary-Haugen Bill* (pp. 46) have been printed, as well as the majority report (pp. 109) and the minority report (pp. 20) from the committee.

Hearings before the same Committee relating to the *Norris-Sinclair Marketing Bill* have been printed for the use of the committee (1924, pp. 135); also, hearings on the *Diversification Loan Bill* (pp. 130).

Hearings before the Senate Committee on Agriculture and Forestry relating to the *Purchase and Sale of Farm Products* (1924, pp. 720), and relating to provision for an *Emergency Commission to Promote a Permanent System of Self-Supporting Agriculture* (pp. 206) have also been printed.

There have been printed, for the Senate Committee on Interstate Commerce, the hearings on the bills to prevent the sale and transportation in interstate commerce of misbranded woolen fabrics and falsely described articles (1924, pp. 171).

Relating to the railway question, there have recently been printed hearings before the Senate Committee on Interstate Commerce on bills for the repeal or amendment of Section 15a of the Interstate Commerce act, entitled *Transportation Rates of Common Carriers* (1924, pp. 818); also, hearings on *Long and Short Haul Charges* (pp. 887); and hearings on *Consolidation of Railway Properties* (pp. 63).

The Bureau of Agricultural Economics of the United States Department of Agriculture has issued:

Statistical Bulletin No. 3, *Sheep, Lamb, Mutton, and Wool Statistics, year ended March 31, 1923*, with comparable data for earlier years (Washington, May 9, 1924, pp. 100).

*Margins, Expenses and Profits in the Retail Meat Trade, Chicago, Cleveland, and New York* (May, 1924, pp. 17). This is a preliminary report, typewritten, of the period March, 1923, to February, 1924.

The following bulletins of the Department of Agriculture have been received:

No. 1224, *Relation of Land Income to Land Value*, by C. R. Chambers (June 11, 1924, pp. 131).

No. 1230, *Conditions Affecting the Demand for Harvest Labor in the Wheat Belt*, by D. D. Lescohier (April, 1924, pp. 45).

No. 1234, *Agricultural Survey of Europe: The Danube Basin*, part 1, by L. G. Michael (April, 1924, pp. 111).

Department Circular 307, *A Method of Testing Farm-management and Cost-of-production Data for Validity of Conclusions*, by H. R. Tolley and S. W. Mendum (March 31, 1924, pp. 13).

The Grain Futures Administration of the Department of Agriculture has prepared a cyclostyled report on certain phases of trading in grain futures during the calendar year 1923 (pp. 22.)

### Money, Prices, Credit, and Banking

The hearings before the House Committee on Banking and Currency relating to the *Consolidation of National Banking Associations* (held April 9, 15, 16, and 18, 1924) have been printed (Washington, pp. 253).

The following state documents relating to banking have recently been published:

*Fourth Annual Report of the Georgia Department of Banking, for 1923* (Atlanta, pp. 329).

*Annual Report of the Board of Bank Commissioners of New Hampshire for the Year Ending June 30, 1923* (Concord, 1923, pp. 460).

*The Banking Law of the State of New York* (Albany, 1923, pp. 307). This constitutes chapter 2 of the Consolidated Laws, with amendments to January 1, 1924.

*Sixteenth Annual Report of the Ohio Department of Banks, Fiscal Year Ending June 30, 1923* (Columbus, 1923, pp. 447).

### Public Finance

The letter from Secretary Mellon in regard to *Distributed and Undistributed Earnings of Corporations* has been published as Senate Document No. 85 (68 Cong., 1 Sess., Washington, 1924, pp. 132). The letter also from Secretary Mellon in regard to *Corporate Income and Excess-profits Tax for 1921* has been printed as Senate Document No. 67 (68 Cong., 1 Sess., pp. 82).

The National Bank of Commerce has reprinted the *Revenue Act of 1924*, for circulation in pamphlet form (N. Y., pp. 236).

The following state reports dealing with taxation have appeared:  
*Report of Special Tax Commission of Georgia* (Atlanta, 1923, pp. 8).

*Sixth Annual Report of the Kentucky State Tax Commission* (Frankfort, 1923, pp. 97).

*Final Report of the Maryland Tax Revision Commission, November 30, 1923* (Annapolis, pp. 88).

*Report of the State Tax Commission of Mississippi for 1922* (Jackson, 1923, pp. 207).

## TWENTY-FIRST LIST OF DOCTORAL DISSERTATIONS IN POLITICAL ECONOMY IN PROGRESS IN AMERICAN UNI- VERSITIES AND COLLEGES

Students whose period of continuous non-residence exceeds three years are omitted from the list. The last date given is the probable date of completion.

The first list of this kind was dated January 1, 1904, and was sent to all members, but not regularly bound in the publications. The subsequent lists have appeared in the publications as follows:

- Second list, 1905, in third series, vol. vi, p. 737.
- Third list, 1906, in third series, vol. vii, 3, supplement, p. 43.
- Fourth list, 1907, in third series, vol. viii, no. 2, supplement, p. 42.
- Fifth list, 1908, in the *Bulletin* for April, 1908, p. 69.
- Sixth list, 1909, in the *Bulletin* for April, 1909, p. 16.
- Seventh list, 1910, in the *Bulletin* for March, 1910, p. 12.
- Eighth list, 1911, in the *REVIEW* for March, 1911, p. 212.
- Ninth list, 1912, in the *REVIEW* for June, 1912, p. 519.
- Tenth list, 1913, in the *REVIEW* for June, 1913, p. 527.
- Eleventh list, 1914, in the *REVIEW* for June, 1914, p. 524.
- Twelfth list, 1915, in the *REVIEW* for June, 1915, p. 476.
- Thirteenth list, 1916, in the *REVIEW* for June, 1916, p. 499.
- Fourteenth list, 1917, in the *REVIEW* for June, 1917, p. 485.
- Fifteenth list, 1918, in the *REVIEW* for June, 1918, p. 459.
- Sixteenth list, 1919, in the *REVIEW* for June, 1919, p. 433.
- Seventeenth list, 1920, in the *REVIEW* for September, 1920, p. 692.
- Eighteenth list, 1921, in the *REVIEW* for June, 1921, p. 388.
- Nineteenth list, 1922, in the *REVIEW* for June, 1922, p. 380.
- Twentieth list, 1923, in the *REVIEW* for September, 1923, p. 571.

## Theory and Its History

- WILLIAM EDWARD BUTT, A. B., Wisconsin, 1911; M. A., 1914. Studies in the theory of profits. 1924. *Yale*.
- ROBERT A. CAMPBELL, B. A., Wisconsin, 1917. Theories of wages. 1925. *Wisconsin*.
- EDWARD HASTINGS CHAMBERLIN, B. S., Iowa, 1920; A. M., Michigan, 1922. Some competitive aspects of monopoly value. 1926. *Harvard*.
- PANG O. CHOUGH, A. B., Columbia, 1922. The concept of public utility; its development and its significance. 1924. *Columbia*.
- HOWARD SYLVESTER ELLIS, A. B., Iowa, 1920; A. M., Michigan, 1922; A. M., Harvard, Feb., 1924. Non-competing groups. 1925. *Harvard*.
- EWALD T. GRETHER, A. B., 1922, Nebraska; M. A., 1923, California. The economics of John A. Hobson: a study in welfare economics. 1924. *California*.
- CARL WILLIAM HASEK, A. B., Lehigh, 1911; A. M., Harvard, 1914. The introduction of Adam Smith's doctrines into Germany. 1924. *Columbia*.
- WILLIAM WALLACE HEWETT, A. B., Swarthmore, 1920; A. M., Pennsylvania, 1922. The definition of income in economics and in law and its application in federal taxation. 1924. *Pennsylvania*.
- CHU HSIAO, A. B., Missouri, 1920; B. B. A., 1922, April; A. M., Cornell, 1922, June. The theory of business profits. 1925. *Harvard*.
- MASAHITO LAURENCE IWAMOTO, A. B., Waseda, 1917. Profit, productivity of entrepreneur. 1926. *Harvard*.
- AUGUST FRED KUHLMAN, S. B., Northwestern College, 1916; A. M., Chicago, 1921. The concept of social forces. 1924. *Chicago*.

D. P. NAIK, A. B., University of Bombay, 1919; A. M., Columbia, 1922. History of economic thought in India. 1924. *Columbia*.

MARTIN HENRY NEUMEYER, A. B., DePauw, 1918; B. D., Garrett, 1921; A. M., Northwestern. A sociological interpretation of conscience. 1925. *Chicago*.

### Economic History and Geography

CHARLES MECKS ANDERSON, A. M., Michigan, 1918. The economic development of Oklahoma since 1889. 1925. *Chicago*.

HENRY STOW ANDERSON, A. B., Stanford, 1922; A. M., 1923. Land settlement projects in California. 1925. *Stanford*.

MANDELL MORTON BOWER, S. B., Montana, 1918; A. M., Harvard, 1920. The economic interpretation of history. 1924. *Harvard*.

R. G. BOOTH, A. B., Illinois Wesleyan, 1914; A. M., Columbia, 1915. Some social aspects of the development of the natural sciences in England in the eighteenth century. 1924. *Columbia*.

ALEXANDER BRADY, B. A., Toronto, Oxon. Huskisson and early social and economic reform. 1925. *Toronto*.

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ANDREW WELLINGTON CORDIER, A. B., Manchester, 1922. The reconstruction of south-eastern France after the Albigensian Crusade. 1925. *Chicago*.

HERBERT FIELD, A. B., Union Theological, 1909; A. M., Columbia, 1921. The anti-rent movement in New York. 1924. *Columbia*.

P. R. FOSSUM, A. B., Park Region Luther College, 1915. The agrarian movement in North Dakota. 1924. *Johns Hopkins*.

FRANK RICHARDSON GARFIELD, A. B., Amherst College, 1923. Economics of advertising. 1926. *Cornell*.

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CALVIN BRYCE HOOVER, B. A., Monmouth College, 1922. Capital and contract in medieval Genoa. *Wisconsin*.

LESTER M. JONES, B. A., Baker, 1909; M. A., Columbia, 1913. The growth of secret organizations in the United States in our time. 1925. *Wisconsin*.

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J. W. MCILRAITH, B. S., Teachers College, 1920; A. M., Columbia, 1923. Land speculation during the 1790's. 1925. *Columbia*.

JAMES FRANCIS MCINTYRE, A. B., Saint Charles College, 1916; A. M., Wisconsin, 1920. The spice trade and the discovery of America. 1924. *Columbia*.

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- LUTHER SHARP, A. B., Southern California, 1917; A. M., 1924. Economic history of the San Joaquin Valley. 1926. *Stanford*.
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- CLAUDE L. BENNER, A. B., Michigan, 1919; A. M., 1921. The farmer's position in the financial system. 1925. *School of Economics, Washington University, D. C.*
- CLYDE RAY CHAMBERS, A. B., Missouri, 1916; A. M., Minnesota, 1917. Farm land valuation. 1925. *Harvard*.
- ORLANDO OMAR CHURCHILL, B. S., Michigan Agricultural, 1903; M. S., North Dakota Agricultural College, 1923. The economics of flaxseed production in the United States. 1925. *Minnesota*.
- WILLIAM COAN, A. B., Palmer, 1902; A. M., Columbia, 1921. Stabilization: a problem in coal. *Columbia*.
- AVERY ODELL CRAVEN, A. B., Simpson, 1908; A. M., Harvard, 1921. Soil exhaustion as a factor in the development of Virginia. 1924. *Chicago*.
- ANDREW JACKSON DADISMAN, B. S., West Virginia, 1914; M. S. A., Cornell, 1914. Farm organization. 1924. *Cornell*.
- CLARA ELIOT, A. B., Reed, 1917. Business cycles and agriculture. 1924. *Columbia*.
- HELEN EVERETT, B. A., Bryn Mawr, 1915; M. A., Radcliffe, 1918. The reorganization of the British coal industry. 1924. *School of Economics, Washington University, D. C.*
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- ISAAC FULTS HALL, B. S., Cornell, 1915. An economic study of farm buildings. 1925. *Cornell*.
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- CHI YU TANG, B. S. A., Nanking University, 1920; M. S. A., Georgia, 1921. An economic study of Chinese agriculture. 1924. *Cornell*.
- RAYMOND D. THOMAS, B. S., State Teachers' College, Springfield, Mo., 1920; Ph. M., Wisconsin, 1922. Land utilization in the Ozark-Ouachita highland region. 1925. *Wisconsin*.
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- SHIH TSIN TUNG, A. B., Agricultural College at Peking, 1920; M. S., Cornell, 1922. The food supply of the world. 1924. *Cornell*.
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- WILBERT WITTE, B. A., Northwestern College, 1916; M. A., Minnesota, 1920. The migration of Missouri farmers. 1926. *Minnesota*.

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- DAVID R. CRAIG, A. B., Amherst, 1917. Some economic aspects of the printing industry in New York City. 1924. *Columbia*.
- JAMES FREDERIC DEWHURST, B. S. in M. S., Univ. of Washington, 1916; A. M., Pennsylvania, 1922. The problem of raw material in the silk industry. 1926. *Pennsylvania*.
- CHARLES BYRON KUHLMANN, A. B., Wisconsin, 1906; A. M., Minnesota, 1920. Growth of flour milling in the United States with special emphasis on the industry in Minneapolis. 1924. *Minnesota*.
- MABEL AGNES MAGEE, S. B., Simmons, 1912; A. M., Columbia, 1920. The ladies garment industry in Chicago. 1925. *Chicago*.
- MARK CARTER MILLS, A. B., Earlham College, 1916; A. M., Indiana, 1922. The wood industry in New York and its environs. 1924. *Columbia*.
- JOHN C. PAUTZ, A. B., Northwestern, 1916. The development of manufacturing in the Great Lakes basin. 1924. *Columbia*.
- WILLIAM GEORGE SUTCLIFFE, A. B., British Columbia, 1919. The United States glass and pottery industry. 1925. *Harvard*.
- EDWARD B. SWANSON, A. B., Univ. of Washington, 1918. A history of gasoline. 1925. *School of Economics, Washington University, D. C.*
- FAITH MOORS WILLIAMS, A. B., Wellesley, 1915; A. M., Columbia, 1920. Food manufacturing industries in New York and its environs. *Columbia*.
- LUCY BURTON WINSOR, A. B., Vassar, 1919; A. M., Stanford, 1921. The tobacco products industry in New York and its environs. 1924. *Columbia*.

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- S. JAMES DEMPSEY, B. A., Manitoba, 1922; M. A., Toronto, 1923. The railway freight rate structure of Canada. 1925. *Toronto*.
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- KARL K. VAN METER, A. B., Washington University, 1921; A. M., Illinois, 1923. Forward planning in the telephone industry. 1925. *School of Economics, Washington University, D. C.*
- FRANK B. WARD, Ph. B., Denison, 1917; A. M., Cincinnati, 1920. The railway wage problem. 1925. *Pennsylvania*.

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- OLIN WINTHROP BLACKETT, A. B., Wesleyan, 1917; A. M., 1920. A statistical study of the iron and steel industry and the business cycle. 1924. *Harvard*.
- RALPH FREDERICK BREYER, B. S. in Econ., Pennsylvania, 1920; M. A., 1923. Foreign agents in the export trade of the United States. 1925. *Pennsylvania*.
- GEORGE WILLIAM BROWN, A. B., Toronto, 1915. The St. Lawrence River as a factor in international trade and politics. 1924. *Chicago*.
- MICHAEL DORIZAS, A. B., Robert College (Constantinople), 1907; M. A., Pennsylvania, 1914. Causes controlling the foreign trade of Greece. 1924. *Pennsylvania*.
- HAROLD VAN VECHTEN FAY, A. B., Williams, 1913; B. S., M. I. T., 1914; A. M., Harvard, 1922. European systems of commercial treaties since the war. 1925. *Harvard*.
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- THEODORE N. BECKMAN, B. S., Ohio State, 1920; M. S., 1922. Credits and collections. 1924. *Ohio State*.
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- HERBERT B. DORAU, B. A., Lawrence, 1919; M. A., Wisconsin, 1920. Credit of public service companies. 1924. *Wisconsin*.

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- G. H. EVANS, A. B., Johns Hopkins, 1920. Apartment rentals in Baltimore. 1925. *Johns Hopkins*.
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- GEORGE FILIPETTI, A. B., Columbia, 1916; A. M., Washington, 1921. The wholesale markets of New York and its environs. 1924. *Columbia*.
- ERNEST M. FISHER, B. A., Coe, 1914; M. A., Wisconsin, 1922. Recent developments in financing real estate transactions. 1925. *Wisconsin*.
- HELEN ELIZABETH FISHER, B. A., Toronto, 1922. Professional organizations, with special reference to the Province of Ontario. 1925. *Toronto*.
- VERA FRIEDLAND, A. B., Goucher, 1922. Production standards in the clothing industry. 1924. *Columbia*.
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- MAURICE CLARK GORDON, A. B., Denver, 1917; A. M., 1918. State commission control of public utility accounting. 1925. *Northwestern*.
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- FRANK RAYMOND HUNT, A. B., Muskingum, 1922. Some economic aspects of highway financing. 1926. *Ohio State*.
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- CLYDE M. KAHLER, B. S. in Econ., Pennsylvania, 1922. Cost accounting for life insurance companies. 1926. *Pennsylvania*.
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- PAUL LESLIE MORRISON, A. B., DePauw, 1921; M. B. A., Northwestern, 1922. The management of inventories. *Northwestern*.
- JUSTIN W. NIXON, A. B., Denison, 1905. Interlocking directorates among voluntary organizations in American cities. 1924. *Columbia*.
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- DANIEL MARTIN SHONTING, B. S., Ohio State, 1920; M. A., 1922. Comparative accounting theories. 1926. *Ohio State*.
- HENRY EZMUND SMITH, A. B., Utah, 1920; A. M., California, 1921. Organization and procedure of the Peoples Gas Light and Coke Company of Chicago. 1924. *Chicago*.
- NELSON L. SMITH, A. B., Dartmouth, 1921; M. C. S., Dartmouth, 1922. Fair return to utilities. 1924. *Michigan*.
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- ROBERT EMMETT TAYLOR, A. B., Michigan, 1912; A. M., 1913; L. L. B., St. Louis, 1917; L. L. M., 1920. Municipal accounting. 1924. *Chicago*.
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- NELSON CLARK TISDEL, A. B., Missouri, 1920. Capitalization. *Harvard*.
- LUIS ROJAS DE LA TORRE, A. B., National University of Mexico City, 1916; L. L. M., Pennsylvania, 1922. A comparison of American and Mexican bankruptcy. 1924. *Columbia*.
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- GEORGE WEISS, M. B. A., Harvard, 1920. The earnings of industry. 1924. *School of Economics, Washington University, D. C.*

- CLINTON FISK WELLS, A. B., Stanford, 1920; A. M., 1920. Risk in the terminal marketing of fruits and vegetables. 1925. *Chicago*.
- GEORGE LLOYD WILSON, A. B., Swarthmore, 1918; A. M., Pennsylvania, 1924. The industrial traffic department. 1925. *Pennsylvania*.
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- ETHELWYNN RICE BECKWITH, Ph. B., Oberlin, 1900; M. A., Western Reserve, 1909. Inequalities in the distribution of income, their meaning and measurement. 1924. *Radcliffe*.
- GARFIELD VESTAL COX, A. B., Beloit, 1917. An analysis of post-war business forecasting. 1925. *Chicago*.
- EDMUND MIDDLETON DAGGIT, B. S., Minnesota, 1921; M. A., 1923. A study in the forecasting of wheat prices. 1925. *Minnesota*.
- MARGARET ELLIOTT, A. B., Wellesley, 1914; A. M., Radcliffe, 1921. Occupation statistics: a study in classification. 1924. *Radcliffe*.
- RUSSELL CARL ENGBERG, B. S., Iowa State, 1917; M. S., Minnesota, 1923. Forecasting beef prices. 1925. *Columbia*.
- URIAH ZVI ENGELMANN, A. B., California, 1920; A. M., Columbia, 1921. A comparative study of census methods. 1924. *Columbia*.
- ABRAHAM FEDDER, A. B., Johns Hopkins, 1921. A study of the national income and occupations. 1924. *Johns Hopkins*.
- W. W. FETROW, B. S., Kansas Agricultural College; M. S., Wisconsin, 1922. Agricultural index numbers. 1924. *Wisconsin*.
- JOHN RANDOLPH RIGGLEMAN, A. B., Cornell, 1918; M. B. A., Harvard, 1920. Graphic methods in the analysis and presentation of business statistics. 1925. *Harvard*.

## NOTES

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since the first of May:

- Anderson, L. B., Guaranty Trust Co., 140 Broadway, New York City.
- Armstrong, W. M., Sharon, Pa.
- Austin, W. L., Bureau of the Census, Washington, D. C.
- Baumgartner, G., 918 E. Mercer St., Seattle, Wash.
- Baxter, W. J., 55 Prescott St., Worcester, Mass.
- Bell, R. E., 233 Broadway, New York City.
- Bennett, R. W., Realty Bldg., Jacksonville, Fla.
- Bickelhaupt, C. O., 195 Broadway, New York City.
- Blankenhorn, H., c/o Guaranty Trust Co., 50 Pall Mall, London, Eng.
- Burgess, R. W., Western Electric Co., 195 Broadway, New York City.
- Burgess, W. R., Federal Reserve Bank, 15 Nassau St., New York City.
- Carmody, J. M., Thomas, West Va.
- Chinlund, E. F., 17 East 42nd St., New York City.
- Clement, G. Y., 602 Commonwealth Bldg., Philadelphia, Pa.
- Clifford, C., Box 222, Palo Alto, Calif.
- Conroy, B. J., c/o Abraham & Straus, Inc., Fulton St., Brooklyn, N. Y.
- Davis, C. C., 1305 Chamber of Commerce, Bldg., Chicago, Ill.
- Davis, D. H., University of Minnesota, Minneapolis, Minn.
- Dean, P. N., Dalton, Pa.
- Dublin, L. I., 1 Madison Ave., New York City.
- Edmonds, R. H., Editor, Manufacturers Record, Baltimore, Md.
- Fischer, H. S., 714 East 5th St., Brooklyn, N. Y.
- Fisk, E. L., Life Extension Institute, 25 West 43rd St., New York City.
- Fox, H. F., 30 Union Square, New York City.
- Freeman, E. S., Dennison Mfg. Co., Framingham, Mass.
- Fuller, C. W., 221 West 57th St., New York City.
- Gaunt, E. H., 511 Westminster St., Providence, R. I.
- Glenn, J. M., 231 So. La Salle St., Chicago, Ill.
- Goedke, W. J., 585 Isham St., Apt. 1-H, New York City.
- Grant, G. G., 2232 Alhambra Ave., Monterey Park, Calif.
- Grassmuck, C. P., 11 Broadway, New York City.
- Hamilton, E. P., 440 Fourth Ave., New York City.
- Haskell, S. B., Agri. Exp. Sta., Amherst, Mass.
- Hickernell, W. F., 39 E. Thirty-eighth St., New York City.
- Hyde, D. W., Jr., 3122 N St., N. W., Washington, D. C.
- Jome, H. L., Denison University, Granville, Ohio.
- Jordan, D. F., 1231 Nineteenth St., Watervliet, N. Y.
- Keister, A. S., N. C. College for Women, Greensboro, N. C.
- Kiplinger, W. M., 412 Albee Bldg., Washington, D. C.
- Koch, E. C., 910 South Fifth St., Champaign, Ill.
- Koch, F., 726 Westgate, University City, Mo.
- Lennihan, R., 21 Chauncy St., Cambridge, Mass.
- Leonard, W. E., Whitman College, Walla Walla, Wash.
- Lewis, H. T., University of Washington, Seattle, Wash.
- Lopez, J. L., Medellin, Colombia, South America.
- McGoun, A. F., 37 Upper Bellevue Ave., Montreal, Quebec, Canada.
- Magnusson, L., 701 Lenox Bldg., Washington, D. C.
- Martin, C. C., 32 Burling Slip, New York City.
- Mayginn, L. A., 924 Rhode Island Ave., Lawrence, Kan.
- Metag, E. H., 110 State St., Mankato, Minn.
- Miller, P. L., Iowa State College, Ames, Iowa.
- Morrill, C., U. S. Dept. of Agriculture, Washington, D. C.
- Neifeld, M. R., 69 Westminster Rd., Brooklyn, N. Y.
- Nelson, E. S., 5723 Victoria Ave., Los Angeles, Calif.
- Nevils, W. C., Georgetown University, Washington, D. C.
- Obana, T., 134 N. Orchard St., Madison, Wis.
- Peterson, G. M., University of Minnesota, Minneapolis, Minn.

Ransom, W. L., 120 Broadway, New York City.  
 Redpath, J. M., 75 The Iowa, 13th and O Sts., Washington, D. C.  
 Russell, F. A., University of Illinois, Urbana, Ill.  
 Schwenning, G. T., International Y. M. C. A. College, Springfield, Mass.  
 Selby, H. K., University of Michigan, Ann Arbor, Mich.  
 Simpson, W. P., Box 1483, New Orleans, La.  
 Smith, H. W., University of New Hampshire, Durham, N. H.  
 Stephenson, C. E., 1643 Atkinson Ave., Detroit, Mich.  
 Sweetser, P. S., 126 Moffat Road, Waban, Mass.  
 Thompson, M. R., 723 W. 18th St., Cedar Falls, Iowa.  
 Tsang, C. F., 29 Shih-Pe Hutung, Peking, China.  
 Vaile, R. S., 87 Orlin Ave., Minneapolis, Minn.  
 Waite, W. C., University Farm, St. Paul, Minn.  
 Wang, S. S. C., National University of Peking, Peking, China.  
 Warner, R. L., 60 Federal St., Boston, Mass.  
 Weiss, H. B., 19 North Seventh Ave., New Brunswick, N. J.  
 Wood, W., 400 Chestnut St., Philadelphia, Pa.  
 Wormser, F. E., 509 West 155th St., New York City.  
 Young, A. B., Western Electric Co., Spokane, Wash.  
 Young, B. F., N. Y. Telephone Co., 15 Dey St., New York City.

The Social Science Abstract Committee (F. Stuart Chapin, University of Minnesota; A. C. Hanford, Harvard University; Walter F. Willcox, Cornell University; Davis R. Dewey, Massachusetts Institute of Technology) representing the American Sociological Society, the American Political Science Association, the American Statistical Association, and the American Economic Association, have prepared a report in regard to which suggestions will be welcomed. Communications should be addressed to Professor F. Stuart Chapin, Chairman, University of Minnesota. The report follows:

**SOCIAL SCIENCE ABSTRACTS.**—Research in social science is hampered by the lack of indexes of abstracts of periodical literature. At the present time our research workers are far more handicapped than chemists or physicists because scientists in these latter subjects have resort to such publications as "Chemical Abstracts" and "Science Abstracts" wherein are found systematically indexed, careful abstracts covering the whole field. A research worker in these sciences can do his preliminary reading with convenience and expedition. In contrast, the social scientist who wants to exhaust the periodical literature on his subject cannot depend on the existing abstracts published in social science journals, however excellent these may be as individual pieces of work, since the existing abstracts do not fully cover the field. Consequently, he must supplement them by considerable reading from original articles and run the risk of missing something really important.

In view of this situation the present statement has been prepared by the Committee on Social Science Abstracts of the Social Science Research Council. It is hoped that members of the social science societies, as well as any other interested persons, will study this statement, in order that they may be prepared to make suggestions to the chairmen of the committee at any time and particularly to take action on one of the alternative plans presented at the annual meetings of the social science societies next December.

At the present time the *American Political Science Review* and the *Journal of the American Statistical Association* do not print systematic abstracts of their literature. The *American Economic Review* has for some years printed brief abstracts. The *American Journal of Sociology* has since July, 1921, printed in each of its issues several pages of carefully classified abstracts. The original system of classification was enlarged in March, 1922, and since this time has comprised ten main headings and forty-eight sub-headings. Since the abstract plan of the *American Journal of Sociology* is more complete than that of any of the other social science journals, the main headings are presented herewith, with the suggestion that the reader examine the complete classification with its subordinate headings, as it is found in Volume 19, pages 373-374, of the *American Journal of Sociology*. The existing classification is not final, nor have the methods of abstract-

ing been yet perfected, but the scheme is serviceable. The main headings are as follows:

- I. Personality: the Individual and the Person
- II. The Family
- III. Peoples and Cultural Groups
- IV. Conflict and Accommodation Groups
- V. Communities and Territorial Groups
- VI. Social Institutions
- VII. Social Science and the Social Process
- VIII. Social Pathology: Personal and Social Disorganization
- IX. Methods of Investigation
- X. General Sociology and Methodology of the Social Sciences

The following alternative plans for improving the existing abstracts of social science are suggested for consideration by members of the social science societies.

It is assumed that only articles containing the results of original research will be abstracted.

- (1) Independent and separate publication in bulletin form.
  - a. Abstract service to be maintained jointly by membership dues from the social science societies, and published as a separate monthly bulletin. (The principles of editorial organization described under (2), c, below are understood to apply to this plan.) Or,
  - b. Abstract service to be maintained jointly by social science societies with the cost of administration and publication met in whole or in part by a subsidy or grant of funds from some National Foundation interested in social research. (The principles of editorial organization described under (2), c, below are understood to apply to this plan.)
  - c. Advantages of these plans:
    - (a) The whole field of social science would be covered with approximate completeness so that cross-referencing would make accessible valuable leads from related fields—on which so much progress depends.
    - (b) Duplication in abstracting would be avoided, such as would exist if every journal abstracted independently for its own clientele.
    - (c) One large strong abstract journal could secure by exchange or purchase more current serial literature than could independent journals, and this would save duplicate subscription.
- (2) Abstract services of the social science journals continued as at present, but—
  - a. Present services enlarged to cover the field more intensively and comprehensively.
  - b. Methodology of abstracting systematized by acceptance of some mutually agreeable plan such as:
  - c. Acceptance of guidance over abstracting to be exerted by some central editorial body representative of the whole field:
    - (a) which formulates a methodology of abstracting to be generally used.
    - (b) to conform to some objective system of classification of subjects.
    - (c) cross referencing.
    - (d) to avoid unnecessary duplication in printing.
    - (e) editing and abstracting paid.
  - d. Disadvantage of this plan as compared with (1) above,
    - (a) danger of duplication of abstracts of the same article in several journals. This is now a real difficulty in the abstracts of biological sciences.
    - (b) The field would be incompletely covered and cross referencing incomplete.
    - (c) Current files of serial literature would not be as complete and there would be inevitable duplication of subscription costs.
- (3) Enlargement of the present abstract services and creation of new services in existing social science journals where needed:
  - a. Organization
    - (a) editor-in-chief, four associate editors, one for each science, but unpaid
    - (b) abstracting paid for by the page.
  - b. Agreement on a common basis of classification of abstracts, each journal

publishing in full all the abstracts relating to the field of its science and printing merely the scheme of classification of each of the other sciences, with a note referring the reader to these journals for full abstracts.

- c. The disadvantages of this plan are all the faults of plan (2), but in greater degree.

It will be observed that the last plan is the least ambitious of the three and perhaps in the present stage of development of the social sciences, the most practicable. This last plan would leave to each of the journals the details of its own abstracting, since only a loose type of common editorial organization would exist.

On the other hand, the plan has such serious objections that it could be at best but a temporary makeshift.

The cost of the alternative plans would vary and it is probable that the third plan would be the least expensive. In this connection, it may be of interest to note that the abstract editor of the *American Journal of Sociology* now prints galley sheets of the abstracts of each issue. These may be had by all subscribers for \$1.00 a year. The subscriber then cuts up the galleys and pastes the separate abstracts on filing cards. The cost of chemical abstracts which is published according to plan (1), a, is \$6.80 per subscriber, with a subscribing membership of 13,000. The combined membership of the four social science associations is about 7,000.

The Institute of Economics has recently published another volume in its series of studies in European reconstruction. This book is entitled *The Reparation Plan*. It presents the full text of the so-called "Dawes Report," carefully indexed so as to make its contents most readily available to the reader and accompanied by a detailed analysis and criticism. Mr. Moulton spent July and August in Europe, securing data to complete his study of the French situation in the reconstruction problem.

A timely volume by Thomas Walker Page of the tariff division of the Institute is now in press. It deals with the defects incident to past methods of tariff making, and shows how these methods may be improved with a view to giving consistency to American tariffs when framed and a national as opposed to a local or sectional outlook when framing them.

Other recent books of the Institute are *Russian Debts and Russian Reconstruction*, by Leo Pasvolksy and Harold G. Moulton, and *American Agriculture and the European Market*, by Edwin G. Nourse. The former deals with the question: Can loans for Russian reconstruction be safely extended—assuming a responsible government in Russia—if that government is also held liable for the payment of all existing debts? The latter attempts to answer the question: What is the real condition confronting American agriculture so far as the European market is concerned?

Babson Institute has now under construction on its campus a building to house a relief map of the United States, 63 feet by 50 feet, and the National Financial Library. The map will be made by Mr. George C. Curtis, the widely known geographic sculptor, under the supervision of Major Godfrey, of the United States Corps of Engineers. President Wallace W. Atwood, of Clark University, is chairman of an advisory council of expert geographers who will cooperate in the construction of the map and in making it available for educational and scientific purposes.

Sir R. Henry Rew is in the United States for the summer and fall. During his visit he is lecturing on some aspects of agricultural economics at Cornell University, the University of Wisconsin and Northwestern University and attended the Toronto meeting of the British Association.

He has been assistant secretary of the British Board of Agriculture. During the war he was chairman of the Grain Supplies Committee and of the Allies' Wheat Buying Committee and later secretary of the Ministry of Food. He will probably remain in the United States through October or longer, the time of his return depending somewhat on political developments at home. While here he can be reached through the Institute of International Education, 522 Fifth Avenue, New York.

The eighteenth annual meeting of the American Association for Labor Legislation will be held in Chicago, December 29-30, 1924.

The annual meeting of the National Conference of Catholic Charities will be held in Des Moines, September 7-11.

The eleventh annual convention of the Farm Mortgage Bankers Association of America will be held at Omaha, September 16-17.

The third congress of the International Chamber of Commerce will be held in Brussels, June 21-28, 1925.

At the Prague International Management Congress, held July 21-24, Mr. George W. Coleman, president of the Babson Institute, presented a paper on "Advanced and specialized education for commerce and business administration in universities, colleges, and schools of engineering."

Announcement is made of *Statistical Methods as Applied to Economics and Business*, by Frederick C. Mills, of Columbia University, to be published by Henry Holt and Company.

The first issue of *Ports and Waterways*, "A national review of marine development, construction and transport facilities," appeared under date of July, 1924. This is published monthly at 10 South La Salle Street, Chicago, price, \$4 per annum.

Announcement is made of the early publication of *The Journal of Land and Public Utility Economics*, a quarterly, under the editorship of Professor R. T. Ely. Orders should be sent to A. W. Shaw Company, Chicago, price, \$5 per annum.

The Children's Bureau of the United States Department of Labor plans to release at regular intervals, under the heading "The World's Children," a page of brief notes describing interesting developments in the child welfare field.

*The Economic Journal* (London) in the issue of June, 1924, has an article entitled, "An experiment in the teaching of economics and kindred subjects," by A. L. G. Mackey and H. Heaton, of the University of Adelaide.

#### *Appointments and Resignations*

Mr. W. H. Brown, assistant professor of economics at West Virginia University, is joining the staff at Lafayette College in a similar capacity.

Dr. Alexander E. Cance, of the Massachusetts Agricultural College, gave

two courses in agricultural economics in the summer session of Columbia University.

Mr. Ewan Clague has been appointed instructor in economics at the University of Wisconsin.

Mr. H. F. Clark, formerly instructor in economics at the University of Wisconsin, is now associate professor of economics at Iowa State College.

Mr. Claud F. Clayton has become a member of the department of economics at the University of Arkansas, as associate professor, his duties being chiefly research work in agricultural economics.

Mr. Rudolf A. Clemen, author of *American Livestock and Meat Industry*, is now the economist connected with the Illinois Merchants Trust Company.

Dr. Harry T. Collings, professor of economics at the University of Pennsylvania, has recently been made a member of the board of associate editors of the *Current History Magazine*. Dr. Collings spent the summer in Chile, Argentina, and Brazil, studying international trade conditions.

Mr. Paul Conner, who has been teaching at the University of Nebraska, goes this year to Yale University as instructor in political economy.

Mr. Milton Conover, who formerly taught at New York University, has been appointed instructor in political science at Yale University.

Professor John H. Cover, formerly of Colorado College, is now professor of marketing and director of the Bureau of Statistical Research at the School of Commerce, Accounts, and Finance, University of Denver.

Dr. George Clarke Cox, formerly a professor at Dartmouth College, and author of *Public Conscience*, has formed a partnership as Investment Counsel with John Newlin Trainer, in New York City.

Professor George M. Day, formerly at the University of California, is now in charge of the department of economics at Occidental College, Los Angeles.

Dr. Neva Ruth Deardoff has been made the executive secretary of the Children's Commission of the Commonwealth of Pennsylvania, and is released from her engagement as associate professor of social economy at Bryn Mawr College to undertake this work.

Mr. C. C. Dittmer has been appointed assistant professor of sociology at the University of Wisconsin.

Miss Elizabeth Donnan, of the department of economics at Wellesley College, has been made chairman of that department.

Professor Paul H. Douglas has been granted leave of absence from the University of Chicago for the coming academic year, which he will spend at Amherst College as visiting professor of political economy.

Mr. Robert W. Elsassner, for the past two years engaged in research work in accounting statistics for the Eastman Kodak Company, is now instructor in accounting at Dartmouth College.

Mr. Frank Whitson Fetter has been appointed instructor in economics and social institutions in Princeton University.

Dr. Paul R. Fossum has been made instructor in economics at Wesleyan University, Middletown, Connecticut.

Mr. Leslie Thomas Fournier, recently a teaching fellow in economics at the University of California, has been appointed to an instructorship in economics at Princeton University.

Mr. L. E. Garwood has accepted a position at Coe College, Cedar Rapids, Iowa.

Mr. M. G. Glaeser, formerly assistant professor of economics at the University of Wisconsin, has been promoted to an associate professorship.

Mr. E. S. Grant is to lecture in transportation at Lafayette College this year.

Mr. Lucius Wallis Graves, assistant professor of economics and director of marketing at the University of Idaho, has accepted an instructorship in Princeton University.

Dr. Bartow Griffiss has been appointed associate professor and acting head of the department of economics at the Carnegie Institute of Technology, Pittsburgh, Pennsylvania.

Mr. Harold W. Guest, of Lafayette College, has gone to Stanford University as assistant professor of economics.

Dr. Hornell Hart, executive secretary of the Iowa Child Welfare Commission, has been appointed associate professor of social economy in the Carola Woerishoffer Graduate Department of Social Economy and Social Research of Bryn Mawr College. Dr. Hart will give the graduate and undergraduate courses in sociology.

Mr. Algo D. Henderson, assistant professor of accounting at the University of Kansas, has been granted leave of absence for one year to pursue advanced studies at the University of Harvard. His place will be taken by Mr. Perry Mason.

Mr. R. Robert Herling, formerly instructor in economics at New York University, is now an instructor in economics in Princeton University.

Mr. W. D. Hesseltine has become an instructor in economics at the University of Arkansas.

Professor Henry E. Hoagland, of the College of Commerce, Ohio State University, gave courses in corporation finance and investments at the summer session of Columbia University.

Dr. A. W. Jamison, of the University of Wisconsin, became professor and head of the department of economics and sociology at the University of Arkansas on July 1.

Professor George M. Janes, of Washington and Jefferson College, taught at the summer session of the University of Tennessee.

Professor Eliot Jones, of Stanford University, has taken a year's leave of absence to accept an appointment as visiting professor of transportation at the University of Illinois. He will fill the chair in economics of public utilities and transportation, recently endowed by Senator W. B. McKinley.

Mr. Ralph Chester Jones, formerly with the Bureau of Business Research of the University of Illinois, goes to Yale University this year as instructor in accounting.

Mr. Bruce W. Knight, who was last year an instructor at the University of Wisconsin, has been appointed as instructor in economics at Dartmouth College.

Professor V. W. Lanfear, of Yale University, goes this fall to the University of Pittsburgh, where he will teach finance in the School of Business, with the rank of associate professor.

Mr. Joseph Stagg Lawrence has been appointed to an instructorship in economics at Princeton University.

Mr. Ray U. Leffler, assistant professor in the department of economics at Dartmouth College, has been promoted to the professorship of money and banking.

Mr. Valdie Levine has been appointed instructor in economics at the University of Kansas.

Mr. James Graham Leyburn, formerly professor of economics and sociology in Hollis College, is now instructor in economics and social institutions in Princeton University.

Mr. Arthur Fletcher Lucas has been appointed to an instructorship in economics at Princeton University.

Professor Harley L. Lutz, of Leland Stanford University, will give courses in public finance at the University of Wisconsin during the first semester of this year and will conduct investigations in taxation for the Legislative Reference Library of Wisconsin.

Mr. C. A. Lyles has been appointed an instructor in accounting at Bowling Green Business University, Bowling Green, Kentucky (not at Vanderbilt University, as stated in the June issue).

Mr. George Kehoe McCabe, formerly an instructor in economics at Cornell University, has been made instructor in political economy at Yale University.

Mr. Joseph L. McDonald has been promoted from instructor to the rank of assistant professor of economics at Dartmouth College.

Mr. A. F. McGoun, assistant professor of economics in the University of Alberta, has obtained a year's leave of absence and will give courses in economic theory at Stanford University.

Mr. James A. Maxwell is joining the teaching staff of Clark University for the coming year as instructor in economics.

Dr. H. E. Miller, assistant professor of economics at Clark University, has resigned to accept a similar position at Brown University.

Dr. Mark C. Mills has been appointed instructor in political economy at Yale University.

Professor E. F. Nickoley, who taught during the past year at the University of Illinois, returns in September to his post as dean of the School of Commerce, at Beirut College, Syria.

Mr. William A. Neiswanger, of the department of economics at Alfred College, Alfred, New York, has gone to Dartmouth College as instructor in economics.

Dr. A. E. Patton has become an instructor in economics at the University of Illinois.

Miss Margaret Pryor has been appointed instructor in economics at the University of Wisconsin.

Professor C. F. Remer, on leave of absence from Saint John's University, Shanghai, has been given the Orin Sage professorship of economics at Williams College.

Professor E. A. Ross, who teaches sociology at the University of Wisconsin, is on leave of absence for the first semester. He spent the summer in South Africa and will travel through India in the fall and winter of this year, making a study of social conditions.

Dr. Earl A. Saliers has been made professor of accounting in the Northwestern University School of Commerce, having held the position of associate professor of accounting in that institution during the past year.

Dr. Dorothy Sells has been appointed associate professor of social economy in the Carola Woerishoffer graduate department of social economy and social research of Bryn Mawr College. Dr. Sells will offer undergraduate courses in the labor movement and graduate courses in industrial relations and labor organization.

Mr. H. W. B. Shaw, a graduate student at the London School of Economics, has been made an instructor in economics at Dartmouth College.

Mr. C. E. R. Sherrington, who was last year in the department of economics at Cornell University, has accepted an appointment in the transport department of the London School of Economics.

Mr. Nelson Lee Smith, an instructor in economics at the University of Michigan, is joining the department of economics at Dartmouth College as assistant professor.

Dr. T. R. Snavelly, associate professor of economics at the University of Virginia, has been promoted to the rank of full professor. During the early part of the past summer, Professor Snavelly taught at the summer session at the University of Texas.

Dr. Charles Leslie Stewart, of the Bureau of Agricultural Economics in Washington, has accepted an associate professorship of agricultural economics at the University of Illinois.

Mr. George W. Stocking, who was last year with the National Industrial Conference Board, has accepted the position of assistant professor of economics at Dartmouth College.

Dean Frank T. Stockton, of the College of Liberal Arts of the University of South Dakota, has been elected as dean of the School of Business Administration now being established at the University of Kansas.

Mr. Edward G. Sutherland, formerly a teaching fellow at the University of California, has accepted a position in the department of economics at the University of Nevada at Reno.

Mr. Herbert F. Taggart, who has been teaching accounting at the University of Kansas in the capacity of assistant professor, is on leave of absence for a year to pursue advanced studies at the University of Michigan. His place will be taken by Mr. H. F. Bergstresser.

Dr. Charles Sanford Tippetts is leaving the department of economics at Princeton University in order to take charge of the courses in transportation and labor at the State University of Iowa.

Dr. R. W. Valentine has been appointed instructor in economics at the University of Illinois.

Mr. V. Orval Watts joins the teaching staff of Clark University this fall as instructor in economics and sociology.

Mr. Clinton Fiske Wells, research instructor in economics at the University of Chicago, has been appointed instructor in economics at the University of Idaho.

Mr. Chester Howard Whelden, who has been teaching economics at Harvard University, is going this year to Yale University as instructor in political economy.

Dr. Nathaniel R. Whitney, head of the department of finance, College of Engineering and Commerce, University of Cincinnati, has resigned in order to continue certain lines of business research for Procter & Gamble Company.

Mr. Willard J. Wilde, holder of the Flood fellowship at the University of California, has gone to the University of Idaho, as instructor in accounting.

Mr. Virgil Willit, instructor in economics at Ohio State University, goes this fall to Princeton University as instructor in economics and social institutions.

Professor A. B. Wolfe, of Ohio State University, taught in the summer session at the University of Washington, Seattle.

Professor French E. Wolfe has resigned his position at the University of Nebraska to accept a position as associate professor of economics at the University of Illinois. He will give courses in insurance and statistics.

Dr. Vertrees J. Wyckoff has been appointed associate professor of economics at St. Johns College, Annapolis, Maryland.

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